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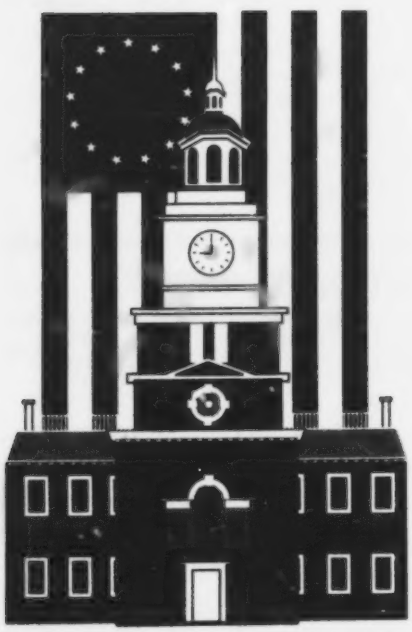
Individual Retirement Arrangements (IRAs)

For use in preparing
1990 Returns



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Contents

Important Reminders.....1
Introduction.....1
Chapter 1 — Overview.....1
Chapter 2 — Who Can Set Up an IRA?.....2
What Is Compensation?.....2
Chapter 3 — How Can an IRA Be Set Up?.....2
Kinds of IRAs.....2
Chapter 4 — How Much Can I Contribute and Deduct?.....3
Contribution Limits.....3
Deductible Contributions.....4
Nondeductible Contributions.....6
Chapter 5 — Can I Transfer Retirement Plan Assets?.....7
Transfer From One Trustee to Another.....7
Rollovers.....8
Transfers Incident to Divorce.....9
Chapter 6 — When Can I Withdraw or Use Assets From an IRA?.....10
Required Distributions.....10
Tax Treatment of Distributions.....11
Chapter 7 — What Acts Result in Penalties?.....13
Prohibited Transactions.....13
Excess Contributions.....13
Premature Distributions.....14
Excess Accumulations.....14
Excess Distributions.....14
Chapter 8 — Simplified Employee Pension (SEP).....15
Appendices.....17
Appendix A - Chart, *Can You Take an IRA Deduction?*.....17
Appendix B - Worksheets for Social Security Recipients Who Contribute to an IRA.....18
Appendix C - Filled-in Form 5329.....24
Appendix D - Filled-in Forms 8606.....26
Appendix E - Life Expectancy and Applicable Divisor Tables.....29
Appendix F - Summary Record of IRA(s) for 1990 and Worksheet for Determining Required Annual Distributions from Your IRA(s).....35
Index.....36

Important Reminders

Interest earned. Although interest earned from your IRA is generally not taxed in the year earned, it is ***not tax-exempt*** interest. ***Do not*** report it on your return as tax-exempt interest.

Penalty for failure to file Form 8606. If you make nondeductible IRA contributions and you do not file Form 8606, *Nondeductible IRA Contributions, IRA Basis, and Nontaxable IRA Distributions*, with your tax return, you may have to pay a $50 penalty.

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Introduction

This publication begins with a general overview of the IRA rules. Then, in the chapters that follow, it explains in more detail the special rules that apply to qualifying to set up an IRA, setting it up, contributing to it, transferring money or property to and from it, and making withdrawals from it. It also discusses the penalties for breaking rules. There are also important appendices at the back of this publication which are listed above in the Contents.

Free publications and forms. To order tax forms and other publications, call our toll-free telephone number 1-800-829(TAX)-3676(FORM) or write the IRS Forms Distribution Center for your area as shown in your tax form's instructions.

1. Overview

This chapter contains a brief overview of the rules that apply to IRAs. You will find the detailed coverage of the rules in the chapters that follow.

An individual retirement arrangement (IRA) is a personal savings plan that offers you tax advantages to set aside money for your retirement. That means that you may be able to deduct your contributions to your IRA in whole or in part, depending on your circumstances, and that, generally, amounts in your IRA, including earnings and gains, are not taxed until distributed to you.

You can set up an IRA with several types of organizations. Most banks and similar savings institutions, mutual funds, stock brokerage firms, and insurance companies offer IRAs that meet Internal Revenue Code (IRC) requirements. When one of them sets up an IRA for you, it will give you an IRA disclosure statement.

Who Can Set Up an IRA?

You can set up an IRA if you have taxable compensation during the year and have not reached age 70½ by the end of the year. Compensation includes wages, salaries, tips, commissions, fees, bonuses, and taxable alimony and separate maintenance payments.

You may also be able to set up an IRA for your spouse.

How Can an IRA Be Set Up?

You can use the following types of IRAs:

Individual Retirement Account. You set this up with any financial organization that satisfies the requirements of the Internal Revenue Code.

Individual Retirement Annuity. You set this up by purchasing a special annuity contract from a life insurance company.

Simplified Employee Pension (SEP). Under a SEP plan, your employer can set up an IRA (called a SEP-IRA) for you that generally lets your employer contribute to it each year and deduct up to 15% of your compensation or $30,000, whichever is less. A self-employed person is treated as an employee for this purpose.

Employer and Employee Association Trust Account. Your employer, labor union, or other employee association can set up a trust for you in the form of an IRA.

How Much Can I Contribute to an IRA?

You can contribute up to $2000 or 100% of your taxable compensation, whichever is less, to your IRA each year. Your contributions may or may not be fully deductible. Whether your contributions are deductible or nondeductible, you must have received taxable compensation to make contributions to an IRA.

How Much Can I Deduct?

The amount of your deduction depends on whether or not you or your spouse are covered by a retirement plan at work, your filing status, and how much income you have. ***The Can You Take an IRA Deduction? chart, in Appendix A at the back of this publication, shows whether you can take a full deduction, a partial deduction, or no deduction.*** To figure a partial deduction, see the worksheets provided in Chapter 4 of this publication.

Nondeductible IRA contributions. Even if you can take a partial or no deduction, you can still contribute up to $2,000 or 100% of compensation, whichever is less. The contributions that are not deductible are called "nondeductible contributions." When you make these, you must attach Form 8606, *Nondeductible IRA Contributions, IRA Basis, and Nontaxable IRA Distributions,* to your tax return.

Can I Transfer (Roll Over) Retirement Plan Assets?

If you want to move your IRA assets into another IRA, you can. If you receive a distribution from another qualified retirement plan that you want to roll over (transfer) into your IRA, you can do that too. You can even roll over IRA assets into another qualified plan, if all the assets transferred to the IRA came from a qualified plan. However, there are special rules that you must follow to avoid paying tax on such transfers.

When Can I Withdraw or Use the Assets in My IRA?

Generally, you can withdraw money or property from your IRA, without additional tax, only after you reach age 59½. You must start withdrawing your IRA assets by April 1 of the year after the year in which you reach age 70½, regardless of whether you have retired.

What Acts Result in Penalties?

You may have to pay additional taxes or penalties if you:

- Contribute too much to your IRA (excess contribution),
- Get money or property from your IRA before you reach age 59½ (early withdrawal),
- Get too much money or property from your IRA (excess distribution),
- Do not receive distributions from your IRA soon enough and in the amounts required (excess accumulation),
- Use your IRA in an impermissible way (prohibited transaction), or
- Fail to file Form 8606, *Nondeductible IRA Contributions, IRA Basis, and Nontaxable IRA Distributions,* or overstate nondeductible contributions on it.

2. Who Can Set Up An IRA?

You can set up and make contributions to an IRA if you received taxable ***compensation*** (defined later) during the year and have not reached age 70½ by the end of the year.

You can have an IRA whether or not you are covered in any other retirement plan. However, you may not be able to deduct all of your contributions if you or your spouse are covered by an employer retirement plan. See *Who is Covered by an Employer Plan* in Chapter 4.

IRA for your spouse. You may be eligible to set up and contribute to (see *Contribution Limits,* later) an IRA for your spouse, whether or not he or she received compensation. This is called a ***spousal IRA*** and is generally set up for a nonworking spouse.

You can use an individual retirement account or annuity, discussed later, to set up a spousal IRA.

You ***cannot*** set up one IRA that you and your spouse own jointly. You and your spouse must use separate IRAs. If you already have an IRA, you can keep that IRA and set up another for your spouse.

You ***cannot*** roll over (see *Rollovers,* later) assets from your account to your spouse's account. However, each spouse may be named as beneficiary and receive the other spouse's IRA when that spouse dies.

Eligibility requirements. To contribute to a spousal IRA:

You must be married at the end of the tax year,

Your spouse must be under age 70½ at the end of the tax year,

You must file a joint return for the tax year,

You must have taxable compensation for the year, and

Your spouse must either have no compensation, or choose to be treated as having no compensation for the tax year.

What is Compensation?

As stated above, to set up and contribute to an IRA, you must have received taxable compensation. This rule applies whether your contributions are deductible or nondeductible. Generally, what you earn from working is compensation.

What Income is Compensation

Compensation includes:

Wages, salaries, etc. Wages, salaries, tips, professional fees, bonuses, and other amounts you receive for providing personal services are compensation.

Commissions. An amount you receive that is a percentage of profits or sales price is compensation.

Self-employment income. If you are self-employed (a sole proprietor or a partner), compensation is your net earnings from your trade or business (provided your personal services are a material income-producing factor), reduced by your deduction for contributions on your behalf to retirement plans and the deduction allowed for one-half of your self-employment taxes. If you invest in a partnership and do not provide services that are a material income-producing factor, your share of partnership income is not compensation. Compensation also includes earnings that are not subject to self-employment (Self-employment Contributions Act) tax because of your religious beliefs. See Publication 533, *Self-Employment Tax,* for more information.

When you have both self-employment income and salaries and wages, your compensation is the sum of the amounts.

Self-employment loss. If you have a net loss from self-employment, do not subtract the loss from salaries or wages you receive when figuring your total compensation.

Alimony and separate maintenance. All taxable alimony and separate maintenance payments you receive under a decree of divorce or separate maintenance are treated as compensation.

What Income Is Not Compensation?

Compensation does ***not*** include:

- Earnings and profits from property, such as rental income, interest income, and dividend income,
- Pension or annuity income,
- Any deferred compensation (compensation payments postponed to a future year),
- Foreign earned income and/or housing cost amounts that are excluded from income, or
- Any other amounts that are excluded from income.

3. How Can an IRA Be Set Up?

You can set up different kinds of IRAs with a variety of organizations. You can set up an IRA at a bank or other financial institution, or with a mutual fund or life insurance company. You can even set up an IRA through your stockbroker. Any IRA must meet certain Internal Revenue Code requirements.

Kinds of IRAs

Your IRA can be an individual retirement account or annuity. It can be part of either a simplified employee pension (SEP) of your employer or part of an employer or employee association trust account.

Individual Retirement Account

An individual retirement account is a trust or custodial account set up in the United States for your exclusive benefit or for the benefit of your beneficiaries. The account is created by a written document. The document must show that the account meets all of the following requirements:

1) The trustee or custodian must be a bank, a federally insured credit union, a savings and loan association, or a person approved by the IRS to act as trustee or custodian.
2) The trustee or custodian generally cannot accept contributions of more than $2,000 a year. However, rollover contributions and employer contributions to a simplified employee pension (SEP), as explained later, can be more than $2,000.
3) Your contributions must be in cash, except that rollover contributions can be property other than cash. See *Rollovers* in Chapter 5.
4) The amount in your account must be fully vested (you must have a nonforfeitable right to the amount) at all times.
5) Money in your account cannot be used to buy a life insurance policy.
6) Assets in your account cannot be combined with other property, except in a common trust fund or common investment fund.
7) You must start receiving distributions from your account by April 1 of the year following the year in which you reach age 70½. For detailed information on distributions from your IRA, see the discussion in Chapter 6 under *Required Distributions*.

Individual Retirement Annuity

You can set up an individual retirement annuity by purchasing an annuity contract from a life insurance company.

An individual retirement annuity must be issued in your name as the owner, and either you or your beneficiaries who survive you are the only ones who can receive the benefits or payments.

An annuity contract must meet the following requirements:

1) It must treat your entire interest in the contract as nonforfeitable.
2) It must provide that you cannot transfer it to someone else.
3) It must provide that you cannot contribute more than $2,000 in any year, and that you must use any refunded premiums to pay for future premiums or to buy more benefits before the end of the calendar year after the year you receive the refund.
4) It must begin distributions by April 1 of the year following the year in which you reach age 70½. See *Required Distributions* in Chapter 6.
5) It must have flexible premiums so that if your compensation changes, your payment may also change. This provision applies to contracts issued after November 6, 1978.

Retirement Bonds

Retirement bonds are bonds that were issued by the federal government. The sale of these bonds was suspended for sales after April 30, 1982. The bonds have these features:

1) You are paid interest on them only when you cash them in.
2) You are not paid any further interest after you reach age 70½. If you die, interest will stop 5 years after your death, or on the date you would have reached age 70½, whichever is earlier.
3) You may not transfer the bonds.
4) You may not sell, discount, or use the bonds as collateral or security.

If you cash (redeem) the bonds before the year in which you reach age 59½, you may be subject to a 10% penalty. See *Premature Distributions*, in Chapter 7. You can roll over redemption proceeds into IRAs.

Simplified Employee Pension (SEP)

A simplified employee pension (SEP) is a written arrangement that allows your employer to make contributions to a special IRA (a SEP-IRA) set up for you. See Chapter 8, *Simplified Employee Pension (SEP)* for more information.

Employer and Employee Association Trust Accounts

Your employer, labor union, or other employee association can set up a trust to provide individual retirement accounts for its employees or members. The rules for individual retirement accounts apply to these employer or union-established IRAs.

4. How Much Can I Contribute and Deduct?

As soon as your IRA is set up, you can make contributions (put money in) to it through your chosen sponsor (trustee or other administrator). ***Contributions must be in the form of money*** (cash, check or money order). You cannot contribute property. However, you may be able to transfer or roll over certain property from one account to another. See the discussion of rollovers and other transfers in Chapter 5.

You can make contributions to your IRA each year that you qualify. ***To qualify to make contributions*** you must have compensation (as discussed in Chapter 2) and have not reached age 70½ during the year. Thus, for any year in which you do not work, you ***cannot*** make IRA contributions unless you receive alimony. ***Even if you do not qualify*** to make contributions for the current year, the amounts you contributed for years in which you did qualify can remain in your IRA. You can resume making contributions for any years that you qualify.

You can make contributions to a ***spousal IRA*** each year that the spousal IRA requirements are met. See *IRA for your spouse* in Chapter 2.

There are limits and other rules that affect the amount you can contribute and the amount you can deduct. This chapter discusses those rules.

Contribution Limits

The most that you can contribute for any year to your IRA is ***the smaller of*** the following amounts:

- Your compensation (defined in Chapter 2) that you must include in income for the year, or
- $2,000.

Examples. Betty, who is single, earns $24,000 in 1990. Her IRA contributions for 1990 are limited to $2,000.

John, a college student working part time, earns $1,500 in 1990. His IRA contributions for 1990 are limited to $1,500, the amount of his compensation.

Spousal IRA. The total combined contributions you can make each year to your IRA and a spousal IRA (discussed earlier) is ***the smaller of:***

- $2,250 or
- Your taxable compensation for the year.

You can divide your IRA contributions between your IRA and the spousal IRA in any way you choose, as long as you do not contribute more than $2,000 to either IRA.

Spouse has compensation during the year. If your spouse also has taxable compensation during the year, you and your spouse can treat both IRAs as regular IRAs. You each may contribute up to the $2,000 limit, unless your taxable compensation (or your spouse's) is less than $2,000. However, either you or your spouse can choose to be treated as having no compensation and use the rules for spousal IRAs. Generally, if one spouse has compensation of less than $250 for the year, a spousal IRA is more advantageous than a regular IRA.

Example 1. Bill and Linda file a joint return for 1990. Bill earned $27,000 and Linda earned $190 that year. Linda chose to be treated as having no compensation; therefore, Bill set up a spousal IRA for her. Since he contributed $1,800 to his IRA, the most he can contribute to the spousal IRA is $450 ($2,250 ***minus*** $1,800).

Example 2. Assume the same facts as in Example 1 except Bill's contribution to the spousal IRA is $2,000 (the limit for either IRA). The most he can contribute to his own IRA is $250 ($2,250 minus $2,000).

Spouse under age 70½. Although you cannot make contributions to your IRA for the year you reach age 70½ or any later year, you can continue to make contributions of up to $2,000 to a spousal IRA until the year your spouse reaches age 70½.

Contributions not required. You are not required to make contributions to your IRA or a spousal IRA for every tax year, even if you can.

Less than maximum contributions. If your contributions to your IRA for a year were less than the smaller of 100% of your compensation or $2,000, ***you cannot contribute more in a later year*** to make up the difference.

Example. Paul earns $25,000 in 1990. Although he can contribute for 1990 up to $2,000, he contributes only $1,000. Paul cannot make up the $1,000 ($2,000 − $1,000) difference between his actual contributions for 1990 and his 1990 limit by contributing an additional $1,000 in 1991 or any later year.

More than one IRA. If you have more than one IRA, the limit applies to the total contributions made to your IRAs for the year.

Both spouses have compensation. If both you and your spouse have compensation, each of you can set up an IRA. Both of you cannot participate in the same IRA. The maximum contribution for each of you is figured separately and depends on how much each of you earns.

Filing status has no effect on the amount of the permitted contribution to an IRA. However, if you or your spouse is covered by a retirement plan at work, your ***deduction*** may be reduced or eliminated, depending on your filing status and income. See *Deductible Contributions*, later.

Example. Sam and Helen are married. They both work and each has an IRA. Sam earned $1,800 and Helen earned $28,000 in 1990. Sam can contribute to his IRA up to $1,800 for the year. Helen can contribute up to $2,000 to her

IRA. Whether they file a joint return or separate returns, the amount they can contribute is the same.

IRA contributions under community property laws. If you work and have an IRA, contributions cannot be made to your IRA based on the earnings of your spouse, unless you have a spousal IRA. The contributions must be based on your own compensation, even in community property states.

Annuity or endowment contracts. If you invest in an annuity or endowment contract under an individual retirement annuity, ***you cannot contribute more than $2,000*** toward its cost for the tax year, ***including the cost of life insurance coverage.*** If you contribute more than $2,000, the annuity or endowment contract is disqualified.

Inherited IRAs. If you have elected to take the IRA as your own, you may deduct contributions to an IRA that you inherited from your spouse. If, however, you inherited an IRA from someone who died after December 31, 1983, and you were not the decedent's spouse, you will not be allowed to contribute to that inherited IRA. See also *Inherited IRAs,* under *Rollovers* in Chapter 5 and under *Other Special IRA Situations* in Chapter 6.

Broker's commissions. Broker's commissions that you paid in connection with your IRA ***are*** subject to the contribution limit and ***are not*** deductible as a miscellaneous deduction on Schedule A (Form 1040)

Trustee's fees. Trustee's administrative fees, which are billed separately and paid by you in connection with your IRA, are deductible. They ***are*** deductible (to the extent they are ordinary and necessary) as a miscellaneous deduction on Schedule A (Form 1040). The deduction is subject to the 2% adjusted gross income floor. These fees ***are not*** subject to the contribution limit.

When to Contribute

You can make contributions to your IRA (or to a spousal IRA) for a year at any time during the year or by the due date for filing your return for that year, ***not*** including extensions. For most people, this means that contributions for 1990 must be made by April 15, 1991.

Designating year for which contribution is made. If you contribute an amount to your IRA between January 1, 1991, and April 15, 1991, you must tell the sponsor which year (1990 or 1991) the contribution is for. If you do not tell the sponsor which year it is for, the sponsor must assume, for reporting to the IRS, that the contribution is for 1991, the year the sponsor received it.

Filing before making your contribution. You can file your return, claiming an IRA contribution before you actually make the contribution. You must, however, make the contribution by the due date of your return, ***not*** including extensions.

Deductible Contributions

Generally, you can take a deduction for the contributions that you are allowed to make to your IRA. However, if you or your spouse are covered by an employer retirement plan at any time during the year, your IRA deduction may be reduced or eliminated, depending on the amount of your income and your filing status, as discussed later under *Deduction Limits.*

Who is Covered by an Employer Plan?

The Form W–2, *Wage and Tax Statement,* you receive at the end of the year from your employer includes a box to indicate whether or not you are covered for the year. The form should have a check in the "Pension Plan" box if you are covered.

If you are not certain whether you are covered by your employer's retirement plan, you should ask your employer.

Employer Plans

An employer retirement plan is one that an employer sets up for the benefit of its employees. For purposes of the IRA deduction rules, an employer retirement plan is any of the following:

- A qualified (meets Internal Revenue Code requirements) pension, profit-sharing, stock bonus, money purchase, etc., plan (including Keogh plans),
- A 401(k) plan (generally a profit-sharing or stock bonus plan to which contributions can be made under an arrangement allowing you to choose to take your income from your employer in cash or have your employer pay it into the plan),
- A union plan (a qualified stock bonus, pension, or profit-sharing plan created by a collective bargaining agreement between employee representatives and one or more employers),
- A qualified annuity plan,
- A plan established for employees by a federal, state, or local government, or any of their political subdivisions, agencies, or instrumentalities (other than an eligible state deferred compensation plan (section 457 plan)),
- A tax-sheltered annuity plan for employees of public schools and certain tax-exempt organizations (403(b) plan),
- A simplified employee pension (SEP) plan, or
- A 501(c)(18) trust (a certain type of tax-exempt trust created before June 25, 1959, that is funded only by employee contributions), if you made deductible contributions during the year.

When Are You Covered?

Special rules apply to determine whether you are considered to be covered by a plan for a tax year. These rules differ depending on whether the plan is a defined contribution or defined benefit plan. They also differ because of your marital status.

Defined contribution plan. Generally, you are considered covered by a defined contribution plan if amounts are contributed or allocated to your account for the plan year that ends within your tax year.

A defined contribution plan is a plan that provides for a separate account for each person covered by the plan. Benefits are based only on amounts contributed to or allocated to each account. Types of defined contribution plans include profit-sharing plans, stock bonus plans, and money purchase pension plans.

Example. Company A has a money purchase pension plan. Its plan year is from July 1 to June 30. The plan provides that contributions must be allocated as of June 30. Bob, an employee, leaves Company A on December 30, 1989. The contribution for the plan year ending on June 30, 1990, is not made until February 15, 1991 (when Company A files its corporate return). In this case, Bob is considered covered by the plan for his 1990 tax year.

Defined benefit plan. If you are eligible to participate in your employer's defined benefit plan for the plan year that ends within your tax year, you are considered covered by the plan. This rule applies even if you declined to be covered by the plan, you did not make a required contribution, or you did not perform the minimum service required to receive the benefit.

A defined benefit plan is any plan that is not a defined contribution plan. Contributions to a defined benefit plan are based on a computation of what contributions are necessary to provide definite benefits to plan participants. Defined benefit plans include pension plans and annuity plans.

Example. John, an employee of B, is eligible for coverage under B's defined benefit plan with a July 1 to June 30 plan year. John leaves B on December 30, 1989. Since John is eligible for coverage under the plan for its year ending June 30, 1990, he is considered covered by the plan for his 1990 tax year.

Nonvested employees. If your employer sets aside money under a plan during the year for your retirement, you are considered covered by a plan that year. It does not matter that you are not yet vested (given a legal right to the money).

Marital status. Generally you are considered covered by an employer retirement plan because your spouse is covered by one. To determine whether you are considered covered by an employer retirement plan for the tax year because of your spouse's coverage, you must wait until the last day of the year. This is because your marital status (whether you are married or single) depends on your filing status on the last day of the tax year.

If you were married to two different spouses during the same year, you are considered married for the year, for this purpose, to the spouse to whom you were married at the end of the year.

Death of spouse. If your spouse died during the year, and you file a joint return as the surviving spouse, coverage by an employer retirement plan for that year is determined as if your spouse were still alive.

Married filing a joint return. You are considered covered by a plan if either you or your spouse is covered by a plan and you file a joint return. You are both considered covered for this purpose.

If you are married filing a separate return and you are not covered by an employer retirement plan, but your spouse is, you are considered covered if you and your spouse lived together at any time during the year.

Federal judges are considered covered by an employer retirement plan in figuring the IRA deduction.

When Are You Not Covered?

You are not covered by an employer plan if neither you nor your spouse is covered for any part of the year. You are also not covered for this purpose in the following situations.

If you are married filing a separate return and you are not covered by an employer retirement plan, you can be considered not covered, even if your spouse is covered by a plan. This rule applies only if you and your spouse did not live together at any time during the year.

Coverage under social security or railroad retirement does not count as coverage under an employer retirement plan in figuring the IRA deduction.

If you receive retirement benefits from a previous employer's plan and you are not working and covered under another employer plan, you are not considered covered by a plan in figuring the IRA deduction.

Reservists and volunteer fire fighters. Certain members of the reserve units of the Armed Forces (in general, those members who did not serve in excess of 90 days during the year) and certain volunteer fire fighters (in general, those members whose accrued retirement benefits at the beginning of the year will not exceed $1800 per year at

retirement) are not considered covered by U.S. or local government retirement plans.

Social Security Recipients

If you receive social security benefits, have taxable compensation, contribute to your IRA, and are covered (or considered covered) by an employer retirement plan, complete the worksheets in Appendix B of this publication. Use these worksheets to figure your IRA deduction and the taxable portion, if any, of your social security benefits.

Deduction Limits

As just discussed, the deduction you can take for contributions made to your IRA depends on whether you or your spouse is covered for any part of the year by an employer retirement plan. But your deduction is also affected by how much income you have and your filing status, as discussed below under *Adjusted Gross Income Limitation*.

Full deduction. If neither you nor your spouse is covered for any part of the year by an employer retirement plan, you can take a deduction for your total contributions to one or more IRAs of up to $2,000, or 100% of compensation, whichever is less. This amount is reduced by any contributions to a 501(c)(18) plan (generally, a plan created before June 25, 1959, funded entirely by employee contributions).

Reduced or no deduction. If either you or your spouse is covered by an employer retirement plan, you may be entitled to only a partial (reduced) deduction or no deduction at all, depending on your income and your filing status. Your deduction begins to decrease (phaseout) when your income rises above a certain amount and is eliminated altogether when it reaches a higher amount. The amounts vary depending on your filing status.

Adjusted Gross Income Limitation

The effect of income on your deduction, as just described, is sometimes called the adjusted gross income limitation (AGI limit). To compute your ***reduced IRA deduction,*** you must first determine your modified adjusted gross income and your filing status.

Modified adjusted gross income (modified AGI) is defined as follows:

If you file Form 1040 — the amount on the page 1 "adjusted gross income" line, but modified by figuring it without taking any:

a) IRA deduction,

b) Foreign earned income exclusion,

c) Foreign housing exclusion or deduction, or

d) Exclusion of series EE bond interest shown on Form 8815, *Exclusion of Interest From Series EE U.S. Savings Bonds Issued After 1989.*

If you file Form 1040A — the amount on the page 1 "adjusted gross income" line, but modified by figuring it without any IRA deduction, or any exclusion of series EE bond interest shown on Form 8815.

Note: You will find that your modified AGI may include income in addition to your taxable compensation.

Filing status. Your filing status depends primarily on your marital status. For this purpose you need to know if your filing status is single (or head of household), married filing jointly, or married filing separately. If you need more information on filing status, see Publication 501, *Exemptions, Standard Deduction, and Filing Information.*

Married filing separate exception. If you did not live with your spouse at any time during the year and you file a separate return, your filing status is considered, for this purpose, as single.

Deduction phaseout. Your IRA deduction is reduced or eliminated entirely depending on your filing status and modified AGI as follows:

If your ***filing status*** is:	Your IRA deduction is reduced if your ***modified AGI*** is within the ***phaseout range*** of:	Your deduction is eliminated if your ***modified AGI*** is:
Single, or Head of household	$25,000 – $35,000	$35,000 or more
Married–joint return, or Qualifying widow(er)	$40,000 – $50,000	$50,000 or more
Married–separate return	$ –0– – $10,000	$10,000 or more

Also, see Appendix A for the chart, *Can You Take an IRA Deduction?*

How to Figure Your Reduced IRA Deduction

If your modified AGI is within the phaseout range for your filing status (see above table), your IRA deduction must be reduced. You can figure your reduced IRA deduction for either Form 1040 or Form 1040A by using the following worksheet. Also, the instructions for these tax forms include an *IRA Worksheet 2*, which you can use instead.

Note: If you were married and both you and your spouse worked and you both contributed to IRAs, figure the deduction for each of you separately.

If you are divorced or legally separated before the end of the year, you cannot deduct any contributions you make to your spouse's IRA. After a divorce or legal separation, you can deduct only the contributions you make to your own IRA and your deductions are subject to the adjusted gross income limitation under the rules for single individuals.

Deductible (and nondeductible) IRA contributions for an unmarried individual or a working spouse. Complete lines 1 through 8 to figure your deductible and nondeductible IRA contributions for the year.

Worksheet for Reduced IRA Deduction

(Use only if you are covered, or considered covered, by an employer plan and your modified AGI is within the phaseout range)

If your ***filing status*** is:	And your ***modified AGI*** is over:	Enter on line 1 below:
Single, or Head of household	$25,000	$35,000
Married–joint return, or Qualifying widow(er)	$40,000	$50,000
Married–separate return	$ –0–	$10,000

1. Enter applicable amount from above ..... _____
2. Enter your ***modified AGI*** (combined, if married filing jointly) ..... _____

Note: If line 2 is equal to or more than the amount on line 1, **stop here;** your IRA contributions are not deductible; see *Nondeductible Contributions*, later.

3. Subtract line 2 from 1. (**If line 3 is $10,000 or more, stop here;** you can take a full IRA deduction for contributions of up to $2,000 or 100% of your compensation, whichever is less.) ..... _____
4. Multiply line 3 by 20% (.20). If the result is not a multiple of $10, round it to the next highest multiple of $10. (For example, $611.40 is rounded to $620.) However, if the result is less than $200, enter $200 ..... _____
5. Enter your compensation. (**Do not** include your spouse's compensation, and, if you file Form 1040, do not reduce your compensation by any losses from self-employment.) ..... _____
6. Enter contributions you made, or plan to make, to your IRA for 1990, but **do not** enter more than $2,000. (If contributions are more than $2,000, see *Excess Contributions* in Chapter 7.) ..... _____
7. **IRA deduction.** Compare lines 4, 5, and 6. Enter the smallest amount here. Enter this amount on the Form 1040 or 1040A line for your IRA, whichever applies. (If line 6 is more than line 7 and you want to make a nondeductible contribution, go to line 8.) ..... _____
8. **Nondeductible contribution.** Subtract line 7 from line 5 or 6, whichever is smaller. Enter the result here and on line 2 of your Form 8606. (See *Nondeductible Contributions*, later.) ..... _____

Deductible (and nondeductible) IRA contributions for spousal IRA. The deduction phaseout rules that reduce or eliminate your IRA deduction also apply to a spousal IRA. If you have a spousal IRA, are covered by an employer retirement plan, and your modified AGI is within the phaseout range, you can only take a reduced spousal IRA deduction.

Complete lines 9 through 17 to figure deductible and nondeductible contributions (discussed later) for the year to a spousal IRA.

9. Enter the smaller of (a) $2,250 or (b) the amount from line 5 ..... _____
10. Add lines 7 and 8. Enter the total. (**If this amount is equal to or more than line 9, stop here;** you cannot make contributions to a spousal IRA. Also, see *Excess Contributions* in Chapter 7, later.) ..... _____
11. Subtract line 10 from line 9 ..... _____
12. Enter the smallest of (a) IRA contributions for 1990 to your spouse's IRA; (b) $2,000; or (c) the amount on line 11. (If contributions are more than $2,000, see *Excess Contributions*, later.) ..... _____
13. Multiply line 3 by 22.5% (.225). If the result is not a multiple of $10, round it to the next highest multiple of $10. However, if the result is less than $200, enter $200 ..... _____
14. Enter the amount from line 7 ..... _____
15. Subtract line 14 from line 13. Enter the result but do not enter more than the amount on line 12 ..... _____
16. **Spousal IRA deduction.** Compare lines 4, 5, and 15. Enter the smallest amount here and on your Form 1040A or 1040. If line 12 is more than line 16 and you want to make a nondeductible contribution for your spouse, go to line 17 ..... _____
17. **Spousal IRA nondeductible contributions.** Subtract line 16 from line 12. Enter the result here and on your spouse's Form 8606, line 2 ..... _____

Reporting Deductible Contributions

For ***Form 1040,*** deduct your IRA contributions for 1990 on line 24a and, if you file a joint return, deduct your spouse's IRA contributions on line 24b. For ***Form 1040A,*** deduct your contributions on line 15a and, if you file a joint return, deduct your spouse's IRA contributions on line 15b. You can use either form in most cases.

You must use Form 1040 instead of Form 1040A if you owe tax on any early distributions from your IRA, any excess contributions made to your IRA, or any excess accumulations in your IRA account (see Chapter 7, *What Acts Result in Penalties?).*

If you are self-employed (a sole proprietor or partner) and have a SEP–IRA, take your deduction for allowable contributions on line 27, Form 1040.

Withholding allowances. To figure the number of additional withholding allowances on your Form W–4, *Employee's Withholding Allowance Certificate,* you can take into account your estimated deductible IRA contributions. For this purpose, however, do not take into account any of your employer's regular contributions to your SEP–IRA, discussed later (they are not included in your income and you cannot deduct them). For more information on withholding, see Publication 505, *Tax Withholding and Estimated Tax.*

Form 5498. You should receive by May 31, 1991, Form 5498, *Individual Retirement Arrangement Information,* or similar statement, from plan sponsors, showing all the contributions made to your IRA for 1990.

Nondeductible Contributions

Although your ***deduction*** for IRA contributions may be reduced or eliminated because of the adjusted gross income limitation (see *Deductible Contributions,* earlier), you can still make ***contributions*** to your IRA of up to $2,000 ($2,250 for a regular and a spousal IRA combined) or 100% of compensation, whichever is less. The difference between your total permitted contributions and your total deductible contributions, if any, is your ***nondeductible contribution.***

As long as your contributions are within the contribution limits just discussed, none of the earnings on any contributions (deductible or nondeductible) will be taxed until they are distributed. See Chapter 6, *When Can I Withdraw or Use Assets From an IRA.*

You will also have a cost basis in your IRA if you make nondeductible contributions. Your ***basis*** is the sum of the nondeductible amounts you have contributed to your IRA less any distributions of those amounts. When you withdraw (or receive distributions of) these amounts, as discussed later in Chapter 6, you can do so tax-free.

Note. Generally, you cannot withdraw only the amounts representing your basis. If you have basis, your withdrawals will generally include both taxable and nontaxable amounts. See Chapter 6 for more information.

Example. Sonny Jones is single. In 1990, he is covered by a retirement plan at work. His salary is $52,312. Sonny makes a $2,000 IRA contribution that year. Because he is covered by a retirement plan and his income is above $35,000, he cannot deduct his $2,000 IRA contribution on his 1990 tax return. However, he may choose to either:

1) Designate this contribution as a ***nondeductible*** contribution by reporting it on his tax return, as explained next, or
2) Withdraw the contribution as explained later under *Tax-free Withdrawal of Contributions.*

Reporting Nondeductible Contributions

You must report nondeductible contributions, but you do not have to designate a contribution as nondeductible until you file your tax return. When you file, ***you can designate otherwise deductible contributions as nondeductible.*** To designate contributions as nondeductible, you must file Form 8606, *Nondeductible IRA Contributions, IRA Basis, and Nontaxable IRA Distributions.* (See the filled-in Forms 8606, in Appendix D.) You must file Form 8606 to report nondeductible contributions even if you do not have to file a tax return for the year.

File Form 8606 if:

- You made nondeductible contributions to your IRA for 1990, or
- You received IRA distributions in 1990 and you have at any time made nondeductible contributions to any of your IRAs.

If you do not report nondeductible contributions to an IRA, **all** of your IRA contributions will be treated as deductible. Thus, when you make withdrawals from your IRA, the amounts you withdraw will be taxed unless you can show, with satisfactory evidence, that nondeductible contributions were made.

There is a recordkeeping worksheet, Appendix F, *Summary Record of IRA(s) for 1990,* that you can use to keep records of your deductible and nondeductible IRA contributions.

Penalty for overstatement. If you overstate the amount of your nondeductible contributions on your Form 8606 for any tax year, you must pay a penalty of $100 for each overstatement, unless it was due to reasonable cause.

Penalty for failure to file Form 8606. You will have to pay a $50 penalty if you do not file a required Form 8606, unless you can prove that the failure was due to reasonable cause.

Tax-Free Withdrawal of Contributions

If you made IRA contributions for 1990, you can withdraw them tax free (except for any earnings on them) by April 15, 1991 (or a later date, if you have an extension to file your return). You can do this if:

- You did not take a deduction for the contributions you withdraw, and
- You also withdraw any interest or other income earned on the contributions. You must report this income on your 1990 return.

Comprehensive Example — Deductible and Nondeductible Contributions

The following examples illustrate the use of the IRA deduction worksheet shown earlier under *How to Figure Your Reduced IRA Deduction.*

Example 1. For 1990, Tom and Betty Smith file a joint return on Form 1040. They both work and Tom is covered by his employer's retirement plan. Tom's salary is $40,000 and Betty's is $6,555. They each have an IRA and their combined modified AGI is $46,555. Since their modified AGI is between $40,000 and $50,000 and Tom is covered by an employer plan, each of them is subject to the deduction limits (see *Deduction Limits,* earlier).

For 1990, Tom contributed $2,000 to his IRA and Betty contributed $500 to hers. Even though they file a joint return, they must use separate worksheets to figure the reduced IRA deduction for each of them.

Tom can take a deduction of only $690 (see the worksheet below). Even though he contributed the maximum ($2,000), $1,310 ($2,000 minus $690) of his contributions must be treated as nondeductible.

He can choose to treat the $690 as either deductible or nondeductible contributions. He can either leave the $1,310 of nondeductible contributions in his IRA or withdraw them by April 15, 1991. He decides to treat the $690 as deductible contributions and leave the $1,310 of nondeductible contributions in his IRA.

Betty can treat all or part of her contributions as either deductible or nondeductible. This is because her $500 contribution for 1990 is less than the $690 deduction limit for her IRA contributions that year (see line 4 of her worksheet, later). She decides to treat her $500 IRA contributions as deductible.

Using the *Worksheet for Reduced IRA Deduction,* Tom figures his deductible and nondeductible amounts as follows:

Worksheet for Reduced IRA Deduction

(Use only if you are covered or considered covered by an employer plan and your modified AGI is within the phaseout range)

If your ***filing status*** is:	And your ***modified AGI*** is over:	Enter on line 1 below:
Single, or Head of household	$25,000	$35,000
Married–joint return, or Qualifying widow(er)	$40,000	$50,000
Married–separate return	$ –0–	$10,000

1. Enter applicable amount from above	$50,000
2. Enter your ***modified AGI*** (combined, if married filing jointly)	46,555

Note: If line 2 is equal to or more than the amount on line 1, **stop here;** your IRA contributions are not deductible; see *Nondeductible Contributions,* earlier.

3. Subtract line 2 from 1. (**If line 3 is $10,000 or more, stop here;** you can take a full IRA deduction for contributions of up to $2,000 or 100% of your compensation, whichever is less.)	3,445
4. Multiply line 3 by 20% (.20). If the result is not a multiple of $10, round it to the next highest multiple of $10. (For example, $611.40 is rounded to $620.) However, if the result is less than $200, enter $200	690
5. Enter your compensation. (**Do not** include your spouse's compensation, and, if you file Form 1040, do not reduce your compensation by any losses from self-employment.)	40,000
6. Enter contributions you made, or plan to make, to your IRA for 1990, but **do not** enter more than $2,000. (If contributions are more than $2,000, see *Excess Contributions* in Chapter 7.)	2,000
7. **IRA deduction.** Compare lines 4, 5, and 6. Enter the smallest amount here. Enter this amount on the Form 1040 or 1040A line for your IRA, whichever applies. (If line 6 is more than line 7 and you want to make a nondeductible contribution, go to line 8.)	690

8. **Nondeductible contribution.** Subtract line 7 from line 5 or 6, whichever is smaller. Enter the result here and on line 2 of your Form 8606. (See *Nondeductible Contributions*, earlier.) 1,310

Betty figures her IRA deduction as follows:

Worksheet for Reduced IRA Deduction

(Use only if you are covered or considered covered by an employer plan and your modified AGI is within the phaseout range)

If your ***filing status*** is:	And your ***modified AGI*** is over:	Enter on line 1 below:
Single, or Head of household	$25,000	$35,000
Married–joint return, or Qualifying widow(er)	$40,000	$50,000
Married–separate return	$ –0–	$10,000

1. Enter applicable amount from above $50,000
2. Enter your ***modified AGI*** (combined, if married filing jointly) 46,555

Note: If line 2 is equal to or more than the amount on line 1, **stop here;** your IRA contributions are not deductible; see *Nondeductible Contributions*, earlier.

3. Subtract line 2 from 1. **(If line 3 is $10,000 or more, stop here;** you can take a full IRA deduction for contributions of up to $2,000 or 100% of your compensation, whichever is less.) 3,445
4. Multiply line 3 by 20% (.20). If the result is not a multiple of $10, round it to the next highest multiple of $10. (For example, $611.40 is rounded to $620.) However, if the result is less than $200, enter $200 690
5. Enter your compensation. **(Do not** include your spouse's compensation, and, if you file Form 1040, do not reduce your compensation by any losses from self-employment.) 6,555
6. Enter contributions you made, or plan to make, to your IRA for 1990, but **do not** enter more than $2,000. (If contributions are more than $2,000, see *Excess Contributions* in Chapter 7.) 500
7. **IRA deduction.** Compare lines 4, 5, and 6. Enter the smallest amount here. Enter this amount on the Form 1040 or 1040A line for your IRA, whichever applies. (If line 6 is more than line 7 and you want to make a nondeductible contribution, go to line 8.) 500
8. **Nondeductible contribution.** Subtract line 7 from line 5 or 6, whichever is smaller. Enter the result here and on line 2 of your Form 8606. (See *Nondeductible Contributions*, earlier.) 0

The IRA deductions of $690 and $500 on the joint return for Tom and Betty total $1,190. Betty's unused IRA deduction limit of $190 ($690 minus $500) cannot be transferred to Tom to increase his deduction.

Example 2. Tom Smith should complete the following lines 9 through 17 of the *Worksheet for Reduced IRA Deduction* to figure the deductible IRA contributions for him and Betty under the same facts as in Example 1, except that he contributed $250 to a spousal IRA because Betty had no compensation for the year. Tom uses lines 1 through 8 of his worksheet to complete the following:

9. Enter the smaller of (a) $2,250 or (b) the amount from line 5 ..... $2,250
10. Add lines 7 and 8. Enter the total. **(If this amount is equal to or more than line 9, stop here;** you cannot make contributions to a spousal IRA. Also, see *Excess Contributions* in Chapter 7, later.) 2,000
11. Subtract line 10 from line 9 250
12. Enter the smallest of (a) IRA contributions for 1990 to your spouse's IRA; (b) $2,000; or (c) the amount on line 11. (If contributions are more than $2,000, see *Excess Contributions*, later.) 250
13. Multiply line 3 by 22.5% (.225). If the result is not a multiple of $10, round it to the next highest multiple of $10. However, if the result is less than $200, enter $200 780
14. Enter the amount from line 7 690
15. Subtract line 14 from line 13. Enter the result but do not enter more than the amount on line 12 90
16. **Spousal IRA deduction.** Compare lines 4, 5, and 15. Enter the smallest amount here and on your Form 1040A or 1040. If line 12 is more than line 16 and you want to make a nondeductible contribution for your spouse, go to line 17 90
17. **Spousal IRA nondeductible contributions.** Subtract line 16 from line 12. Enter the result here and on your spouse's Form 8606, line 2. 160

The IRA deductions of $690 and $90 on the joint return for Tom and Betty total $780. In this case, the full spousal IRA deduction of $2,250 (limited to $2,000 for either spouse's IRA) has been reduced by the IRA deduction phaseout rules to $780.

5. Can I Transfer Retirement Plan Assets?

IRA rules permit you to transfer, tax-free, assets (money or property) from other retirement programs (including IRAs) to an IRA. The rules permit the following kinds of transfers:

- Transfers from one trustee to another,
- Rollovers, and
- Transfers incident to a divorce.

This chapter discusses all three kinds of transfers.

Transfer From One Trustee to Another

A transfer of funds in your IRA from one trustee directly to another, either at your request or at the trustee's request, is ***not a rollover.*** It is, however, a tax-free transfer. As such, it is not affected by the one-year waiting period that is required between rollovers, discussed next.

Rollovers

A rollover is a tax-free distribution to you of cash or other assets from one retirement program that you contribute to another program. The amount you roll over tax-free, however, is generally taxable later when the new program pays that amount to you or your beneficiary.

There are two kinds of rollover contributions to an IRA. In one, you put amounts you receive from one IRA into another. In the other, you put amounts from a qualified employer retirement plan (see *Employer Plans* under *Who is Covered by an Employer Plan?* earlier) into an IRA. You cannot deduct a rollover contribution.

Rollover notice. A written explanation of rollover treatment must be given to you by the plan making the distribution.

Inherited IRA. If you inherited an IRA from your spouse, you can elect to make it your own and roll it over as though you established it. If you inherited an IRA from someone other than your spouse (or, from your spouse and you do not elect to take the IRA as your own) who died after December 31, 1983, you cannot roll it over, or allow it to receive a rollover contribution.

Time Limit for Making a Rollover Contribution

You must make the rollover contribution by the 60th day after the day you receive the distribution from your IRA or your employer's plan; however, see *Extension of Rollover Period*, later.

Rollovers completed after the 60–day period. Amounts not rolled over within the 60–day period do not qualify for tax-free rollover treatment and must be treated as a taxable distribution from either your IRA or your employer's plan. The amount not rolled over is taxable in the year distributed, not in the year the 60-day period expires. You may also have to pay a 10% tax on premature distributions as discussed in Chapter 7.

Treat a contribution after the 60-day period as a regular contribution to your IRA. Any part of the contribution that is more than the maximum amount you could contribute may be an excess contribution, as discussed in Chapter 7.

Extension of Rollover Period

If an amount distributed to you from an IRA or a qualified employer retirement plan becomes a ***frozen deposit*** in a financial institution during the 60–day period allowed for a rollover, a special rule extends the period. The period during which the amount is a frozen deposit is not counted in the 60–day period, nor can the 60–day period end earlier than 10 days after the deposit is no longer frozen. To qualify under this rule, the deposit must be frozen on at least one day during the 60–day rollover period.

A ***frozen deposit*** is any deposit that cannot be withdrawn because:

1) The financial institution is bankrupt or insolvent, or
2) The state where the institution is located restricts withdrawals because one or more financial institutions in the state are (or are about to be) bankrupt or insolvent.

Rollover From One IRA Into Another

You may withdraw, tax free, all or part of the assets from one IRA, if you reinvest them within 60 days in another IRA. This is a rollover. You cannot deduct the amount that you so reinvest in the new IRA.

Waiting period between rollovers. You can take (receive) a distribution from an IRA and make a rollover contribution (of all or part of the amount received) to another IRA only once in any one-year period. The one-year period begins on the date you receive the IRA distribution, not on the date you roll it over into another IRA.

This rule applies separately to each IRA you own. For example, if you have two IRAs, IRA–1 and IRA–2, and you roll over assets of IRA–1 into a new IRA–3, you may also make a rollover from IRA–2 into IRA–3, or into any other IRA within one year after the rollover distribution from IRA–1. These are both rollovers because you have not received more than one distribution from either IRA within one year.

Later distributions from an IRA within a one-year period will not qualify as rollovers. They are taxable and may be subject to the 10% tax on premature distributions.

The same property must be rolled over. You must roll over into a new IRA the same property you received from your old IRA.

Partial rollovers. If you withdraw assets from an IRA, you may roll over part of the withdrawal tax free into another IRA and keep the rest of it. The amount you keep will generally be taxable and may be subject to the 10% tax on premature distributions discussed in Chapter 7.

Required distributions. Amounts that are required to be distributed during a particular year under the required distribution rules (discussed in Chapter 6) ***are not eligible for rollover*** treatment.

Reporting. Report any rollover from one IRA to another IRA on lines 16a and 16b, Form 1040 or lines 10a and 10b, Form 1040A. Enter the total amount of the distribution on line 16a, Form 1040 or line 10a, Form 1040A. If the total amount on line 16a, Form 1040 or line 10a, Form 1040A was rolled over, enter zero on line 16b, Form 1040 or line 10b, Form 1040A. Otherwise, enter the taxable portion of the part that was not rolled over on line 16b, Form 1040 or line 10b, Form 1040A. See *If You Made Deductible and/or Nondeductible Contributions* in Chapter 6.

Rollover From Employer's Plan Into an IRA

If you (or your surviving spouse) receive a distribution, other than a required minimum distribution, from your employer's qualified (meets Internal Revenue Code requirements) pension, profit-sharing or stock bonus plan, annuity plan, or tax-sheltered annuity plan (403(b) plan), you may be able to roll over all or part of it into an IRA.

Qualified Total Distribution

You can roll over into an IRA all or part of a ***qualified total distribution.*** A distribution from a plan is a qualified total distribution if:

1) It is received within one tax year because your employer ends the plan, or
2) It is received within one tax year because your employer completely stops making contributions to your profit-sharing or stock bonus plan, or
3) It is a distribution of all or part of your ***voluntary deductible employee contributions*** (discussed later), or
4) It is a ***lump-sum distribution,*** as defined later.

The distribution in (1), (2), or (4) must be your complete share in the plan, other than voluntary deductible employee contributions. You can receive the distribution in more than one part.

A distribution from a tax-sheltered annuity cannot be rolled over merely because the contract terminated.

Under a profit-sharing or stock bonus plan, contributions are treated as being permanently stopped when the administrator of the plan notifies the IRS to that effect.

Voluntary deductible employee contributions (DECs). Prior to January 1, 1987, employees could make deductible contributions to certain qualified employers' plans and government plans. Those are not the same as elective contributions to a 401(k) plan.

If you receive a distribution from your employer's qualified plan of any part of the balance of your DECs and the earnings from them, you can roll over any part of the distribution.

Lump-sum distribution. A lump-sum distribution is the payment of a participant's complete share in the plan within one tax year that is made:

1) Because the participant died,
2) After the participant reached age 59½,
3) Because the participant separated from service (does not apply to a self-employed individual), or
4) After the self-employed individual becomes disabled.

See the provisions for the rollover of partial distributions, later, under *Partial distributions.*

Complete share. For a distribution (or a series of distributions within one tax year) to be considered a lump-sum distribution, you must generally receive your complete share in the plan (other than your DECs, if any, and the interest income or gain from them).

If your employer has more than one plan of the same type (two profit-sharing plans, for example), you must take your entire share in all such plans.

If your employer has more than one plan, but they are different types (a money purchase pension plan and a profit-sharing plan, for example), you are not required to take your complete share of all the plans, only your complete share of any plan(s) of the same type.

Maximum rollover. The most you can roll over is the fair market value of the assets that you receive as your share from your employer's plan, ***minus*** any nondeductible contributions you made to your employer's plan.

Time limit. You must complete the rollover within 60 days after the day you receive the lump-sum distribution. However, see *Extension of Rollover Period*, earlier.

Tax treatment after the rollover. Once you roll over a lump-sum distribution into an IRA, you cannot use special 5 or 10–year averaging or long-term capital gain treatment for any ***later*** distribution from that IRA. But see the following discussion of a conduit IRA.

IRA as a holding account (conduit IRA). If you receive a qualified total distribution from your employer's plan and roll over part or all of it into one or more conduit IRAs, you can later roll over those assets into a new employer's plan. Your IRA qualifies as a conduit IRA if it serves as a holding account or conduit for those assets. The conduit IRA must be made up of only those assets received from the first employer's plan and gains and earnings on those assets. You must not have mixed regular contributions or funds from other sources with them.

Required election. To roll over a qualified total distribution, you must make an irrevocable election to have the distribution treated as a rollover. The rollover election must be made by designating, in writing, to the trustee or issuer of the IRA, at the time of the contribution, that it is to be treated as a rollover.

Partial Distributions

You (or your surviving spouse) can roll over into an IRA the otherwise taxable part of a partial distribution from your qualified pension or annuity plan, or your tax-sheltered annuity (403(b) plan), if certain requirements are met.

Rollover requirements. The partial distribution:

1) Must equal at least 50% of the balance to the credit of the employee (attributable to both employee and employer contributions, but not including voluntary deductible employee contributions), and
2) Must ***not*** be one of a series of periodic payments.

Also, the distribution must be made:

1) Because the participant died,
2) Because the participant separated from service, or
3) After the participant has become permanently disabled.

Surviving spouse. In applying the 50% test to the surviving spouse, the balance to the credit is the maximum amount the spouse is entitled to receive, rather than the total balance to the credit of the participant.

Required election. For the contribution of the partial distribution to an IRA to be treated as a rollover contribution, you must elect rollover treatment. The rollover election must be made by designating, in writing, to the trustee or issuer of the IRA, at the time of the contribution, that it is to be treated as a rollover. The election is irrevocable.

Time limit. The rollover of a partial distribution must be made by the 60th day following the date of distribution unless the frozen deposit extension, discussed earlier, applies.

Later rollovers. If you elect partial distribution rollover treatment, you cannot later roll over any portion of the distribution from the IRA into another qualified employer plan. A distribution from the new IRA is not eligible for special averaging or capital gain treatment.

If you elect to roll over a partial distribution, you may not be eligible for the special 5 or 10–year averaging or long-term capital gain treatment for any lump-sum distribution you later receive from the same plan, or from any other plan of the same kind (pension, profit-sharing, or stock bonus) maintained by the same employer.

Treatment of Amounts Not Rolled Over

If you do not roll over all the amounts distributed to you from qualified plans, you must include the amount that you keep (other than any nondeductible contributions you made to your employer's plan) in your gross income as ordinary income in the year you receive it. The amount you keep does not qualify for either capital gain treatment or special 5 or 10–year averaging and it cannot be deducted from gross income.

Contributions You Made to Your Employer's Plan

You cannot roll over any contributions you made to your employer's plan, except voluntary deductible employee contributions (DECs). If you made contributions to your employer's plan other than DECs, do not roll them over into an IRA. If you do, you must treat them as regular contributions and you may have to pay the excess contributions tax (discussed later) on all or part of them.

Note: Elective contributions from your pay to a 401(k) plan or a SEP are treated as employer contributions and can be rolled over.

Sale of Property Received in a Distribution From a Qualified Plan

If you receive a distribution of property other than cash from a qualified retirement plan, you can roll over the same property into an IRA. Or, you can sell all or part of the property and roll over the amount you receive into an IRA.

Treatment of gain or loss. If you sell the distributed property and roll over all the proceeds into an IRA, no gain or loss is recognized. The sale proceeds (including any increase in value) are treated as part of the distribution and are not included in your gross income.

Example. On September 4, 1990, John received a lump-sum distribution from his employer's retirement plan of $50,000 in cash and $50,000 in stock. The stock was not stock of his employer. On September 26, 1990, he sold the stock for $60,000. On October 3, 1990, he rolled over $110,000 in cash ($50,000 from the original distribution and $60,000 from the sale of stock). John does not include the $10,000 gain from the sale of stock as part of his income because he rolled over the entire amount into an IRA.

Rollover of part of the amount received from the sale of property. If you sell property that you receive in a distribution and do not roll over the entire amount from the sale, you are taxed on the part you do not roll over.

Your gain (or loss) will be a capital gain (or loss) equal to the difference between the fair market value on the date you received the property and the selling price of the property.

Property and Cash Received in a Distribution

If you receive property and cash from your employer's plan, you can roll over either the property or the cash, or any combination of the two that you choose. If your distribution includes your own employee contributions to the plan, property or cash that you do not roll over is considered to include the return of the amount you paid to the plan.

Identification of cash. If you receive cash from your employer's plan and also receive cash from a sale of the property, you must indicate whether the cash you roll over is from the cash you received in the distribution or the cash you received in the sale. You do not recognize any gain or loss on the sale to the extent that the cash you roll over is from the sale of property. Therefore, the identification you make will determine how much gain or loss you need to recognize from the sale. If you do not realize any gain or loss, no identification is needed.

To do this, file an election with the Internal Revenue Service that identifies the source of the cash you did not roll over. Make the election by the date for filing your tax return, including extensions. You cannot revoke this election.

If you do not identify the source of the retained amount, the Internal Revenue Service will do it for you on a pro rata basis.

For purposes of making a rollover, ***you cannot substitute your own funds for property you receive*** from your employer's retirement plan.

Example. You receive a total distribution from your employer's plan consisting of $10,000 cash and $15,000 worth of property. You decided to keep the property. You can roll over to an IRA the $10,000 cash received, but you cannot roll over an additional $15,000 representing the value of the property you choose not to sell.

Life Insurance Contract

You cannot roll over a life insurance contract from a qualified plan into an IRA.

Distributions Received by a Surviving Spouse

Your surviving spouse can roll over into an IRA part or all of a lump-sum distribution (or any part of a distribution of deductible employee contributions) received from your employer's qualified plan because of your death or the termination of the plan. For information about any estate and gift tax consequences of such a rollover, see Publication 448, *Federal Estate and Gift Taxes.*

Death benefit exclusion. In certain situations, your spouse can exclude from income up to $5,000 of the distribution from a qualified plan or tax-sheltered annuity. Your spouse cannot roll over into an IRA any part of the distribution that qualifies for the $5,000 death benefit exclusion. For more information on the death benefit exclusion, see Publication 575, *Pension and Annuity Income (Including Simplified General Rule).*

No rollover into another employer qualified plan. Your surviving spouse who receives a lump-sum distribution from your employer's qualified plan or tax-sheltered annuity and rolls over any part of it (or any part of a distribution of deductible employee contributions) into an IRA may not roll over a distribution from that IRA into another qualified employer plan or annuity.

Distributions Under Divorce or Similar Proceedings

If you (as a spouse or former spouse of the employee) receive from a qualified employer plan a distribution that results from divorce or similar proceedings, you may be able to roll over all or part of it into an IRA.

Rollover requirements. You can roll over the distribution if:

1) It is the balance to ***your*** credit (not the employee's credit) in the plan,
2) It is made under a ***qualified domestic relations order***,
3) You receive it within one tax year (your tax year, not the plan's year), and
4) In the case of a distribution of property other than money, you roll over the same property you received from the plan.

Only an IRA can receive the rollover. A pension or annuity plan would not qualify.

Qualified domestic relations order. A domestic relations order is a judgment, decree, or order (including approval of a property settlement agreement) that is issued under the domestic relations law of a state. A "qualified domestic relations order" gives to a spouse, former spouse, child, or dependent of a participant in a retirement plan the right to receive all or part of the benefits that would be payable to the participant under the plan. The order requires certain specific information and it may not alter the amount or form of the benefits of the plan.

Tax treatment. If you roll over only part of the distribution, the amount you keep is taxable in the year you receive it. In figuring the taxable amount, however, you are allowed a prorated share of the participant's cost (investment in the contract). The special rules for lump-sum distributions (special 5 or 10–year averaging method or capital gain treatment) may apply. The 10% additional tax on premature distributions, as discussed later, does not apply.

Keogh Plans and Rollovers

If you are self-employed, you are generally treated as an employee for rollover purposes. You can, as discussed earlier, roll over all or part of a qualified total distribution (including a lump-sum distribution) or a partial distribution from a Keogh plan into an IRA.

If you are self-employed, under age 59½, and are not disabled, a distribution from your Keogh plan is not a lump-sum distribution and generally cannot be rolled over into an IRA. However, if you end your Keogh plan, you can take the complete distribution (other than your nondeductible contributions as an employee) and roll it over into an IRA tax free even though you are under age 59½ and not disabled.

Rollover From a Tax-Sheltered Annuity

Generally, you can roll over all or part of a lump-sum distribution (or any part of a distribution due to deductible employee contributions) from a tax-sheltered annuity to an IRA or another tax-sheltered annuity or custodial account if the lump-sum distribution was made on account of separation from service, or death, or you reached age 59½.

If you receive property other than money, you cannot sell the property and roll over the proceeds into an IRA.

Roll over only the part that would normally be taxed. For example, ***do not rollover*** amounts contributed by your employer that were previously included in your income. You must complete the rollover within 60 days after the date the assets were distributed. The spouse of a deceased employee may also take advantage of a rollover.

If your IRA contains only assets (including earnings and gains) that were rolled over from a tax-sheltered annuity, you may roll over these assets into another tax-sheltered annuity. ***Do not combine*** the assets in your IRA from the rollover with assets from another source if you plan another rollover into another tax-sheltered annuity. Do not roll over an amount from a tax-sheltered annuity into a qualified pension plan.

Partial distributions. The rules discussed earlier in this chapter, under *Partial Distributions,* also apply to partial distributions from a tax-sheltered annuity.

For more information, get Publication 571, *Tax-Sheltered Annuity Programs for Employees of Public Schools and Certain Tax-Exempt Organizations.*

Rollover From Bond Purchase Plan

If you redeem retirement bonds that were distributed to you under a ***qualified bond purchase plan,*** you can roll over tax free part of the amount you receive from the redemption into an IRA.

You can redeem these bonds even if you have not reached age 59½. In addition, you can roll over the proceeds, tax free, into a qualified employer plan. However, when you receive a distribution at a later time, it will not be eligible for special 5 or 10–year averaging or capital gain treatment.

Maximum rollover. The most you can roll over is the amount you receive from redemptions minus your basis in the bonds. Your basis is, generally, the amount, if any, you paid for the bonds.

Reporting Rollovers from Employer Plans

Do not use lines 16a or 16b, Form 1040, or lines 10a or 10b, Form 1040A, to report a rollover from an employer retirement plan to an IRA; use lines 17a and 17b, Form 1040, or lines 11a or 11b, Form 1040A, instead.

Transfers Incident to Divorce

If an IRA is transferred from your spouse or former spouse to you by a divorce or separate maintenance decree or a written document related to such a decree, starting from the date of the transfer, the IRA is treated as your IRA. The transfer is tax-free. See also *Distribution Under Divorce or Similar Proceedings,* under *Rollovers,* earlier.

6. When Can I Withdraw or Use Assets From an IRA?

Because an IRA is a tax-favored means of saving for your retirement, there are rules limiting the withdrawal and use of your IRA assets. When you do receive ***distributions*** from an IRA, you ***must generally include in your gross income*** for the year any amount that is paid out or distributed to you during the tax year. A properly handled rollover, as discussed in Chapter 5, is an exception to this rule. This chapter discusses this and other rules affecting distributions from your IRA.

Age 59½ Rule

Generally, you cannot withdraw assets (money or other property) from your IRA without having to pay a 10% additional tax (that is, a 10% tax on the taxable distribution in addition to the regular income tax), until you reach age 59½. However, there are a number of exceptions to this rule as discussed below. Also see *Premature Distributions (Early Withdrawals)* later.

Exceptions

The exceptions to the age 59½ rule for distributions are in part designed to provide relief from hardship situations such as disability and death. But there is also an exception for distributions that are rolled over, as discussed in Chapter 5, and for distributions that are a part of a series of substantially equal payments as discussed below under *Annuity exception.*

Disability exception. You can withdraw amounts from your IRA, without having to pay the 10% additional tax, if you become disabled before you reach age 59½.

You are considered disabled if you cannot do any substantial gainful activity because of your physical or mental condition. A physician must determine that the condition has lasted or can be expected to last continuously for 12 months or more, or that the condition can be expected to lead to death. For more information, see Publication 524, *Credit for the Elderly or the Disabled.*

Death exception. If you die before reaching age 59½, the assets in your IRA can be distributed to your beneficiary or to your estate without either having to pay the 10% additional tax.

However, if you inherit an IRA from your deceased spouse and elect to treat it as your own, any distribution you later receive before you reach age 59½ may be subject to the 10% additional tax.

Rollovers exception. Distributions that are rolled over, as discussed in Chapter 5, can be made without your having to pay the regular income tax or the 10% additional tax.

Annuity exception. You can receive distributions from your IRA that are part of a series of substantially equal payments over your life (or your life expectancy), or over the lives of you and your beneficiary (or your life expectancies), without having to pay the 10% additional tax, even if you receive such distributions before you are age 59½. You must take at least one distribution annually for this exception to apply.

Also, to avoid having to pay the additional tax, the payments under this exception must continue for at least 5 years, or until you reach age 59½, whichever is the longer period. This 5-year rule does not apply if a change is because of the death or disability of the IRA owner.

Timely contribution withdrawal. If you make a contribution to your IRA for a year, take no deduction for it, and withdraw it, as discussed earlier under *Tax-Free Withdrawal of Contributions* in Chapter 4, before the due date (including extensions) of your income tax return for that year, the withdrawal of the contribution is ***not a taxable distribution.*** However, any interest or other income earned on the contribution, which also must be withdrawn, is treated as income in the year the contribution was made.

Note: If you receive a distribution from an IRA that includes a return of ***nondeductible contributions,*** the additional tax does not apply to the portion of the distribution that is considered to be nontaxable. See *Figuring the Nontaxable and Taxable Amounts* later in this chapter.

Required Distributions

You cannot keep funds in an IRA indefinitely. Eventually you must withdraw them. See *Excess Accumulations,* later. You must choose to withdraw the balance in your IRA in one of the following two ways:

- By withdrawing the entire balance in your IRA by the ***required beginning date*** (defined later), or
- By starting to withdraw ***periodic distributions*** of the balance in your IRA by the required beginning date.

Periodic distributions. If you do not withdraw the entire balance in your IRA by the required beginning date, you must start to withdraw periodic distributions over one of the following periods (or any combination of these periods):

1) Your life,
2) The lives of you and your ***designated beneficiary*** (defined later),
3) A period that does not extend beyond your life expectancy, or
4) A period that does not extend beyond the joint life and last survivor expectancy of you and your designated beneficiary.

See *Determining Life Expectancy,* later for more details.

A ***designated beneficiary*** as used here means any individual who is named to receive your IRA upon your death. If you have more than one beneficiary, the beneficiary with the shortest life expectancy will be the designated beneficiary used to determine the period over which your withdrawals must be made.

Required beginning date (RBD). You must start receiving distributions from your IRA by April 1 of the year following the year in which you reach age 70½.

You must receive a minimum amount for each year starting with the year you reach age 70½ (your 70½ year). If you did not receive distributions in your 70½ year, then you must receive the required ***minimum distribution*** by April 1 of the next year. That distribution is for your 70½ year.

Distributions after the RBD. The required minimum distribution for any year after your 70½ year must be made by December 31 of that later year.

Example. You reach age 70½ on August 20, 1990. For 1990 (your 70½ year), you must receive the required minimum distribution from your IRA no later than April 1, 1991. You must receive the required minimum distribution for 1991 (the first year after your 70½ year) by December 31, 1991.

Owner dies after the RBD. If periodic distributions begin by the RBD and the owner dies on or after that date, any undistributed amounts at the IRA owner's death must be distributed at least as rapidly as under the method being used at the owner's death.

If the owner dies before the RBD, the ***entire interest*** (the IRA account balance as of the close of business on December 31 of the preceding year) must be distributed under either:

Rule 1. By December 31 of the fifth year following the year of the owner's death, or

Rule 2. In annual amounts over the life or life expectancy of the designated beneficiary.

The IRA terms can specify whether rule 1 or 2 applies, or they can permit either the owner or beneficiary to choose which rule applies. If the owner or beneficiary can choose which rule applies, the choice must generally be made by December 31 of the year following the year of the owner's death.

If no rule has been specified or chosen, distribution must be made under rule 2 if the beneficiary is the surviving spouse, or under rule 1 if the beneficiary is not the surviving spouse.

If rule 2 has been specified or chosen and the beneficiary is not the surviving spouse, distribution must begin by December 31 of the year following the year of the owner's death.

If rule 2 has been specified or chosen and the beneficiary is the spouse, distribution must begin by the later of:

- December 31 of the year the IRA owner would have reached age 70½, or
- December 31 of the year following the year of the owner's death.

If the spouse is the designated beneficiary and distributions are to be made under rule 2, a special rule applies ***if the spouse dies before the date distributions to the spouse are required to begin.*** In this case, distributions may be made to the spouse's beneficiary as if the spouse's beneficiary were the IRA owner's spouse and the owner died on the spouse's date of death.

However, ***if the spouse has remarried since the owner's death*** and the new spouse is designated as the spouse's beneficiary, the special rules applicable to surviving spouses would not apply to the new spouse.

Minimum Distributions

If you are the owner of an IRA (or the beneficiary after the owner's death), you must figure the minimum amount required to be distributed from your IRA(s) each year.

If distributions to the owner of an account begin on the RBD, the minimum amount is figured based on payments over a period not longer than the life expectancy of the owner or the joint life and last survivor expectancy of the owner and the designated beneficiary.

If the owner dies before the RBD, the minimum amount is figured based on payments over a period not longer than the life expectancy of the designated beneficiary.

Figuring the Minimum Distribution

Figure your required minimum distribution for each year by dividing the ***IRA account balance*** as of the close of business on December 31 of the preceding year by the applicable ***life expectancy***. Or, if the distribution must satisfy the minimum distribution incidental benefit requirement, discussed later, compare the ***applicable divisor*** and the

applicable life expectancy and use the lower number. The applicable life expectancy is the owner's remaining life expectancy (or the remaining joint life expectancy of the owner and the owner's designated beneficiary, or the remaining life expectancy of the designated beneficiary, whichever applies).

To figure the required minimum distribution after the first distribution year (the owner's 70½ year), reduce the IRA account balance as of December 31 of that first year by any distribution made by April 1 of the following year.

Example 1. Joe, born October 1, 1919, reached 70½ in 1990. His wife (his beneficiary) turned 56 in September 1990. He must begin receiving distributions by April 1, 1991. Joe's IRA account balance as of December 31, 1989, is $29,000. Based on their ages at year end, the joint life expectancy for Joe (age 71) and his beneficiary (age 56) is 29 years (see Table II in Appendix E). The required minimum distribution for 1990, Joe's first distribution year (his 70½ year), is $1,000 ($29,000 divided by 29). This amount is distributed to Joe on April 1, 1991.

Joe's IRA account balance as of December 31, 1990, is $29,900.

To figure the minimum amount required to be distributed for 1991, the IRA account balance (as of December 31, 1990) of $29,900 is reduced by the $1,000 minimum required distribution for 1990 that was made on April 1, 1991. Thus, the account balance for determining the required distribution for 1991 is $28,900.

Determining Life Expectancy

Life expectancies are determined using life expectancy tables like Tables I and II in ***Appendix E.*** More extensive tables are in Publication 939, *Pension General Rule (Nonsimplified Method).*

To determine your annual minimum distribution, use the life expectancy in Table I (Single Life Expectancy) if the periodic payments are for your life only. Use the life expectancy in Table II (Joint Life and Last Survivor Expectancy) if the payments are for the lives of you and your designated beneficiary.

If you designate as your beneficiary someone other than your spouse, who is more than 10 years younger than you, and the distributions are not made as annuity payments under an annuity contract, see *Minimum Distribution Incidental Benefit Requirement (MDIB Requirement),* later.

For distributions beginning by the required beginning date (RBD) (discussed earlier), determine life expectancies using the ages of the owner and the designated beneficiary as of their birthdays in the owner's 70½ year.

For distributions after the owner's death (if death occurred before the required beginning date), the life expectancy of the designated beneficiary is determined using the age as of the beneficiary's birthday in the year distributions must begin.

Refiguring life expectancy. If you own an IRA, your life expectancy (and that of your spouse, if applicable) must be ***refigured annually*** unless your IRA terms provide otherwise. See *Further information,* later, for special rules to refigure your life expectancy.

If you or your spouse dies. If the joint life expectancy of you and your spouse is refigured annually and either of you dies, then only the survivor's life expectancy is used to figure distributions for the years after the year in which the death occurred.

If you and your spouse die. If the life expectancies of both you and your spouse are refigured and both of you die after the date distributions must start, the entire interest must be distributed before the last day of the year following the year of the second death.

Election to refigure life expectancy. Your IRA terms may permit you and your spouse to elect whether to refigure your life expectancies. You must make this election by the date of the first required minimum distribution (see *Required beginning date (RBD),* earlier).

If you do not use the tables to refigure your life expectancy, reduce your initial life expectancy by one for each year after your 70½ year to determine your remaining life expectancy.

Minimum Distribution Incidental Benefit Requirement (MDIB Requirement)

Distributions from an IRA during the owner's lifetime must satisfy the MDIB requirement. This is a requirement that must be met to insure that the IRA is used primarily to provide retirement benefits to the IRA owner. After the owner's death, only "incidental" benefits are expected to remain for distribution to the owner's beneficiary (or beneficiaries).

If your spouse is your only beneficiary, you will satisfy the MDIB requirement if you satisfy the general minimum distribution requirements discussed above.

If someone other than your spouse is your beneficiary, there are additional steps to figure your required minimum distribution.

1) Find the applicable divisor for a person your age in Appendix E under *Table for Determining Applicable Divisor for MDIB.* Use your age as of your birthday in the year that you are figuring the minimum distribution.
2) Compare your applicable divisor and your applicable life expectancy (see *Determining Life Expectancy,* earlier) for the year, and determine which number is smaller.
3) To figure your required minimum distribution, divide the IRA account balance as of the close of business of the December 31 of the preceding year by the smaller number (your applicable divisor or your applicable life expectancy).

Example 2. Assume the same facts as in Example 1, except that Joe's beneficiary is his brother. Because Joe's beneficiary is not his spouse, he must use the *Table for Determining Applicable Divisor for MDIB* (see Appendix E) and compare the applicable divisor from that table to the life expectancy determined using *Table II (Joint Life and Last Survivor Expectancy)* in Appendix E. Joe must use the smaller number from the tables. Thus, in this example, the required minimum distribution for 1990 is $1146 (29,000 divided by 25.3) instead of the $1,000 computed in Example 1.

Effect of the IRA owner's death. The MDIB requirement does not apply to distributions in years after the death of the original IRA owner. Consequently, if you hold an IRA as the beneficiary of the IRA owner, minimum distributions from this IRA can be figured using the general rules for minimum distributions discussed earlier.

Further information. Required distribution rules are explained more fully in sections 1.401(a)(9)–1, 1.401(a)(9)–2, and 1.408 of the proposed Income Tax Regulations. These regulations can be read in many libraries and IRS offices.

Miscellaneous Rules for Minimum Distributions

The following rules may apply to your minimum distribution.

Installments allowed. The yearly minimum required distribution can be taken in a series of installments (monthly, quarterly, etc.) as long as the total distributions for the year equal the minimum required amount.

If you have more than one IRA, you must determine the required minimum distribution separately for each IRA; however, you can total these minimum amounts and take the total from any one or more of the IRAs.

Example. Mary, born August 1, 1919, became 70½ on February 1, 1990. She has two IRAs. She must begin receiving her IRA distributions by April 1, 1991. On December 31, 1989, Mary's account balance from IRA A was $10,000; her account balance from IRA B was $20,000. Mary's brother, age 64 as of his birthday in 1990, is the beneficiary of IRA A. Her husband, age 78 as of his birthday in 1990, is the beneficiary of IRA B.

Mary's required minimum distribution from IRA A is $427.35 ($10,000 divided by 23.4, the joint life and last survivor expectancy of Mary and her brother per Table II in Appendix E). The amount of the required minimum distribution from IRA B is $1,142.86 ($20,000 divided by 17.5, the joint life and last survivor expectancy of Mary and her husband per Table II in Appendix E). The required distribution that must be withdrawn by Mary from either one, or both, of her IRA accounts by April 1, 1991, is $1,570.21.

If you receive more, in any year, than the required minimum amount for that year, you will not receive credit for the additional amount when determining the required minimum amounts for future years. However, any amount distributed in your 70½ year will be credited toward the amount that must be distributed by April 1 of the following year.

Annuity distributions from an insurance company. Special rules apply if you receive distributions from your IRA as an annuity purchased from an insurance company. See *Further information,* earlier.

Tax Treatment of Distributions

In general, include IRA distributions in your gross income in the year you receive them. Exceptions to this general rule are rollovers and timely withdrawals of contributions, discussed earlier, and the return of nondeductible contributions, discussed next under *If you Made Deductible and/or Nondeductible Contributions.*

Ordinary income. IRA distributions that you must include in income are taxed as ordinary income.

No special treatment. In figuring your tax, you cannot use the special averaging or capital gain treatment that applies to lump-sum distributions from qualified employer plans.

If You Made Deductible and/or Nondeductible Contributions

Deductible contributions. If only deductible contributions were made to your IRA (or IRAs, if you have more than one) since it was set up, you have ***no basis*** in your IRA. Because you have no basis in your IRA, any distributions are fully taxable when received. See *Reporting and Withholding Requirements for Taxable Amounts* later.

Nondeductible contributions. If you made nondeductible contributions to any of your IRAs, you have a ***cost basis*** (investment in the contract) to the extent of those contributions. These nondeductible contributions are ***not taxed*** when they are distributed to you. They are a return of your investment in your IRA.

When IRA distributions are made, special rules apply in figuring the tax on the distributions if:

- Only nondeductible contributions were made and there are any earnings (and/or gains), or
- If both deductible and nondeductible contributions were made to the IRA.

Only the part of the distribution that represents nondeductible contributions (your cost basis) is tax-free. Once nondeductible contributions have been made, distributions consist partly of nondeductible contributions (basis) and partly of deductible amounts and/or earnings (and/or gains). Thus, until you run out of basis, each distribution is partly taxable and partly nontaxable.

Form 8606. You must complete, and attach to your return, Form 8606, *Nondeductible IRA Contributions, IRA Basis, and Nontaxable IRA Distributions*, if you receive a distribution and, at any time, made nondeductible contributions. Using the form, you will figure the nontaxable distributions for 1990, and your total IRA basis for 1990 and prior years. See the illustrated Forms 8606 in Appendix D.

Figuring the Nontaxable and Taxable Amounts

If you made no contributions, only fully deductible contributions, or only nondeductible IRA contributions for 1990, use Form 8606 to figure how much of your 1990 IRA distributions are tax free (because the IRA includes nondeductible contributions). You can then determine how much you must include in taxable income (because the IRA includes contributions that you deducted and/or earnings and gains). If you have more than one IRA, you must consider them together, as if they were a single IRA.

If you made IRA contributions for 1990 that may be partly nondeductible, you can use the following worksheet to figure how much of your 1990 IRA distribution(s) is tax-free and how much is taxable.

1) Enter the basis in your IRA(s) as of 12/31/89	$
2) Enter all IRA contributions made for 1990, **whether or not deductible.** Include contributions made during 1/1/91 – 4/15/91 for the 1990 year, but exclude contributions rolled over from retirement plans	$
3) Add lines 1 and 2	$
4) Enter the value of ALL your IRA(s) as of 12/31/90 (include any outstanding rollovers)	$
5) Enter the total IRA distributions received in 1990 (Do not include outstanding rollovers)	$
6) Add lines 4 and 5	$
7) Divide line 3 by line 6. Enter the result as a decimal (to at least two places). Do not enter more than 1.00	
8) **Nontaxable portion** of the distribution. Multiply line 5 by line 7. Enter the result here and on Form 8606, line 11	$
9) **Taxable portion** of the distribution. Subtract line 8 from line 5. Enter the result here and on Form 1040, line 16b or Form 1040A, line 10b	$

Note: To figure the remaining basis in your IRA after distributions, you can:

1) Use the worksheet in the Form 1040 instructions to figure your deductible IRA contributions to report on lines 24a and 24b of Form 1040 or lines 15a and 15b of Form 1040A.
2) After you complete the worksheet in the Form 1040 or Form 1040A instructions, enter your nondeductible IRA contributions on line 2 of Form 8606.
3) Complete lines 1, 3 – 6, and 12 – 14 of Form 8606. Do not complete lines 7 – 10 of Form 8606.
4) Find the basis in your IRA(s) as of 12/31/90 on line 12 of Form 8606.
5) Find your total IRA basis for 1990 and prior years on line 14 of Form 8606.

Example. Rose Green has made the following contributions to her IRAs—

Year	Deductible	Nondeductible
1984	$2,000	–0–
1985	$2,000	–0–
1986	$2,000	–0–
1987	$1,000	$1,000
1988	$1,000	$1,000
1989	–0–	$2,000
Totals	$8,000	$4,000

In 1990, Rose makes a $2,000 contribution that may be partly nondeductible. She also withdraws $5,000. At the end of that year, the fair market value of her accounts, including earnings, total $18,000. She did not have any tax-free withdrawals in earlier years. The amount she includes in income is figured as follows:

1) Enter the basis in your IRA(s) as of 12/31/89	$ 4,000
2) Enter all IRA contributions made for 1990, **whether or not deductible.** Include contributions made during 1/1/91 – 4/15/91, but exclude contributions rolled over from retirement plans	$ 2,000
3) Add lines 1 and 2	$ 6,000
4) Enter the value of ALL your IRA(s) as of 12/31/90 (include any outstanding rollovers)	$18,000
5) Enter the total IRA distributions received in 1990 (Do not include outstanding rollovers)	$ 5000
6) Add lines 4 and 5	$23,000
7) Divide line 3 by line 6. Enter the result as a decimal (to at least two places). Do not enter more than 1.00	.26
8) **Nontaxable portion** of the distribution. Multiply line 5 by line 7. Enter the result here and on Form 8606, line 11	$ 1,300
9) **Taxable portion** of the distribution. Subtract line 8 from line 5. Enter the result here and on Form 1040, line 16b or Form 1040A, line 10b	$ 3,700

See the illustrated Form 8606 for Rose in Appendix D.

Recognizing Losses on IRA Investments

If you have a loss on your IRA investment, you may recognize the loss on your income tax return only when all the amounts in your IRA accounts are distributed to you and the total distributions are less than your unrecovered basis, if any. Your basis is the total amount of the nondeductible contributions in your IRAs.

Example. Bill King has made nondeductible contributions to an IRA totaling $2,000, giving him a basis at the end of 1989 of $2,000. By the end of 1990, his IRA earns $400 in interest income. In that year, Bill withdraws $600, reducing the value of his IRA to $1,800 at year's end. Bill figures the taxable part of the distribution and his remaining basis on Form 8606 ***(illustrated in Appendix D)***.

In 1991, Bill's IRA has a ***loss*** of $500. At the end of that year, Bill's IRA balance is $1,300. Bill's remaining basis in his IRA is $1,500. Bill withdraws the $1,300 balance remaining in the IRA. He can claim a loss for 1991 of $200 (the $1,500 basis minus the $1,300 withdrawn IRA balance).

Other Special IRA Situations

Besides losses, there are other special IRA situations that you may encounter. They include the following:

Distribution of an annuity contract from your IRA account. You may tell the trustee or custodian of your IRA account to use the amount in the account to buy an annuity contract for you. You are not taxed when you receive the annuity contract from your account. You are only taxed when you start receiving payments from that annuity contract.

Tax treatment. If only deductible contributions were made to your IRA since it was set up (this includes all your IRAs, if you have more than one), the annuity payments are fully taxable.

If your IRA includes both deductible and nondeductible contributions, the annuity payments are taxed as explained earlier under *If You Made Deductible and/or Nondeductible Contributions.*

Retirement bonds. When you cash in retirement bonds, you are taxed on the entire amount you receive. If you do not cash in your bonds before the end of the year in which you reach age 70½, you will be taxed on the entire value of the bonds at that time. This is the amount you would have received if you had cashed in the bonds at that time. When the bonds are cashed later, you will not be taxed again.

Inherited IRAs The beneficiaries of your IRA must include distributions to them in their gross incomes.

Beneficiaries. Your beneficiaries can be your estate, dependents, and anyone you choose to receive the benefits of your IRA after you die.

Spouse. If you inherit an interest in an IRA from your spouse, you can elect to treat the entire inherited interest as your own account. See the discussion earlier under *Required Distributions* for the rules on when you must begin to make withdrawals from the IRA.

Beneficiary other than spouse. If you inherit an IRA from someone other than your spouse, you cannot treat it as though you established it. The IRA may not be rolled over into, or receive a rollover from, another IRA. No deduction will be allowed for amounts paid into that inherited IRA, nor can nondeductible contributions be made to an inherited IRA.

IRA with basis. If you inherit an IRA from a person who had a basis in the IRA because of nondeductible contributions, that basis remains with the IRA. Unless you are the decedent's spouse and choose to treat the IRA as your own, you cannot combine this basis with any basis you have in your own IRA(s) or any basis in IRA(s) you inherited from other decedents. If you take a distribution from an inherited IRA and your IRA, and each has basis, you must complete separate Forms 8606 to determine the taxable and nontaxable portions of those distributions.

Death benefit exclusion. Your beneficiaries cannot claim a death benefit exclusion for any part of a distribution from your IRA.

Reporting and Withholding Requirements for Taxable Amounts

If you receive a t a total distribution from your IRA, you will receive ***Form 1099–R,*** *Statement for Recipients of Total Distributions from Profit-Sharing, Retirement Plans, Individual Retirement Arrangements, Insurance Contracts, Etc.*, or a similar statement. IRA distributions are shown in Boxes 1 and 2 of Form 1099–R. A number in Box 7 tells you what type of distribution you received from your IRA. The numbers mean the following:

1) Early (premature) distribution, no known exception.
2) Early (premature) distribution exception applies.
3) Disability.

4) Death.
5) Prohibited transactions.
6) Section 1035 exchange.
7) Normal distribution.
8) Excess contributions plus earnings/excess deferrals (and/or earnings) taxable in 1990.
9) PS-58 costs; P—Excess contributions plus earnings/excess deferrals taxable in 1989; A—Qualifies for 5-year/10-year averaging; B—Qualifies for death benefit exclusion; C—Qualifies for both A and B; D—Excess contributions plus earnings/excess deferrals taxable in 1988.

Form W-2P. If you receive an IRA payment that is not a total distribution, you will receive Form W-2P, *Statement for Recipients of Annuities, Pensions, Retired Pay, or IRA Payments.*

Withholding. Federal income tax is withheld from IRA distributions unless you choose not to have tax withheld.

The tax withheld from an annuity or a similar periodic payment is based on your marital status and the number of withholding allowances you claim on your withholding certificate (Form W-4P). If you have not filed a certificate, the tax withheld will be determined by treating you as a married individual claiming three withholding allowances.

Generally, tax will be withheld at a 10% rate on lump-sum distributions.

Withholding from IRA distributions outside the United States. In general, if you are a U.S. citizen or resident alien and your home address is outside the United States or its possessions, you cannot choose exemption from withholding on your IRA distributions.

To choose exemption from withholding on your IRA, you must:

- Give the payer of the IRA distributions your home address in the United States or in a U.S. possession, or
- Certify under penalties of perjury that you are not a U.S. citizen, a resident alien of the United States, or a tax-avoidance expatriate.

Otherwise, the payer must withhold tax.

For more information, see *Withholding on Pensions and Annuities* in Publication 505, *Tax Withholding and Estimated Tax.* See also Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Corporations.*

Reporting taxable distributions on your return. Report fully taxable distributions, including premature distributions, on line 16b, Form 1040 (no entry is required on line 16a, or line 10b, Form 1040A). If only part of the distribution is taxable, enter the total amount on line 16a, Form 1040 (or line 10a, Form 1040A) and the taxable part on line 16b (or 10b). You cannot report distributions on Form 1040EZ.

Estate and gift tax. For information on how estate and gift tax laws relate to IRAs, see Publication 448, *Federal Estate and Gift Taxes.*

7. What Acts Result in Penalties?

The tax advantages of using IRAs for retirement savings can be offset by additional taxes and penalties if you do not follow the rules. For example, there are additions to the regular tax for using your IRA funds in prohibited transactions. There are also additional taxes for:

- Making excess contributions,
- Making early withdrawals (taking premature distributions),
- Allowing excess amounts to accumulate (failing to make required withdrawals), or
- Receiving excess distributions.

There are penalties for overstating the amount of nondeductible contributions and for failure to file Form 8606, *Nondeductible IRA Contributions, IRA Basis, and Nontaxable IRA Distributions,* if required.

This chapter discusses those acts that you should avoid and the additional taxes and other costs, including loss of IRA status, that apply if you don't.

Prohibited Transactions

Generally, a prohibited transaction is any improper use of your IRA account or annuity by you or any ***disqualified person.***

Some examples of disqualified persons for this purpose are:

Your fiduciary, or

Members of your family (spouse, ancestor, lineal descendant and any spouse of a lineal descendant).

Some examples of prohibited transactions with an IRA are:

1) Borrowing money from it,
2) Selling property to it,
3) Receiving unreasonable compensation for managing it, and
4) Using it as security for a loan.

Effect on an IRA account. Generally, if you or your beneficiary engage in a prohibited transaction in connection with your IRA at any time during the year, ***it will not be treated as an IRA account*** as of the first day of the year.

Effect on you (or your beneficiary). If you (or your beneficiary) engage in a prohibited transaction in connection with your IRA at any time during the year, you (or your beneficiary) must include the fair market value of all (or part, in certain cases) of the IRA assets in your gross income for that year. The fair market value is the price at which the IRA assets would change hands between a willing buyer and a willing seller, when neither has any need to buy or sell, and both have reasonable knowledge of the relevant facts.

You must use the fair market value of the assets as of the first day of the year you engaged in the prohibited transaction. You may also have to pay the 10% tax on premature distributions, discussed later.

Excise taxes. Those involved in prohibited transactions may be liable for certain excise taxes. In general, there is a 5% tax on the amount of the prohibited transaction, and a 100% additional tax if the transaction is not corrected.

Borrowing on an annuity contract. If you borrow money against your IRA annuity contract, you must include in your gross income the fair market value of the annuity contract as of the first day of your tax year. You may also have to pay the 10% additional tax on premature distributions.

Pledging an account as security. If you use a part of your IRA account as security for a loan, ***that part*** is treated as a distribution and is included in your gross income. You may have to pay the 10% additional tax on premature distributions.

Trust account set up by an employer or an employee association. Your account or annuity ***does not lose its IRA treatment if*** your employer or employee association, with whom you have your IRA, engages in a prohibited transaction. See the discussion on prohibited transactions in Publication 560, *Retirement Plans for the Self-Employed.*

If you participate in the prohibited transaction with your employer or association, your account is no longer treated as an IRA.

Other Acts to Avoid

The following acts are also prohibited:

Investment in collectibles. If your IRA invests in collectibles, the amount invested after 1981 is considered distributed to you in the year invested. You may also have to pay the 10% tax on premature distributions.

Collectibles include art works, rugs, antiques, metals, gems, stamps, coins, alcoholic beverages, and certain other tangible personal property.

Exception. Your IRA can invest in one, one-half, one-quarter, or one-tenth ounce U.S. gold coins, or one-ounce silver coins minted by the Treasury Department beginning October 1, 1986.

Acceptance of certain cash, property or services. If you accept certain cash, property, or services offered by any financial institution because the institution maintains an IRA for you, it may be considered a prohibited transaction. However, until the Department of Labor makes a final decision regarding a request for exemption from the prohibited transaction rules for the above items, the IRS will not raise issues concerning such transactions.

For more information, call the IRS at (202) 566-6783/6784 (not a toll-free number). Call between the hours of 1:30 and 4:00 p.m. Eastern time, Monday through Thursday.

Excess Contributions

Generally, an excess contribution is the amount contributed to your IRAs that is more than the smaller of the following amounts:

1) Your taxable compensation for the year, or
2) $2,000.

The taxable compensation limit applies whether your contributions are deductible or nondeductible.

An excess contribution could be the result of your contribution, your spouse's contribution, your employer's contribution, or an improper rollover contribution. If your employer makes contributions on your behalf to an IRA, see Chapter 8, *Simplified Employee Pension (SEP).*

Tax on excess contributions. If the excess contribution is not withdrawn by the date your return is due (including extensions) as explained later, you are subject to a 6% excise tax. You

must pay the 6% excise tax each year on excess amounts that remain in your IRA at the end of your tax year. The excess is taxed for the year of the excess contribution and for each year after that, until you correct it. The tax cannot be more than 6% of the value of your IRA as of the end of your tax year.

The excise tax is figured on **Form 5329,** *Return for Additional Taxes Attributable to Qualified Retirement Plans (including IRAs), Annuities, and Modified Endowment Contracts.* For information on filing Form 5329, see *Reporting Additional Taxes,* later.

Example. For 1990, Tom is single, his compensation is $31,000, and he contributed $2,500 to his IRA. Tom has made an excess contribution to his IRA of $500 ($2,500 minus the $2,000 limit). The contribution earned $5 interest in 1990 and $6 interest in 1991 before the due date of the return, including extensions. He does not withdraw the $500 or the interest it earned by the due date of his return, including extensions.

Tom figures his excise tax by multiplying the excess contribution ($500) shown on line 6, Form 5329, by .06, giving him an additional tax liability of $30. He enters the tax on line 7, Form 5329, and on line 52, Form 1040. See Tom's filled-in Form 5329 in Appendix C, later.

Excess contributions you withdraw by the date your return is due. You will not have to pay the 6% excise tax if you withdraw the excess amount ***and*** interest or other income earned on it by the date your tax return is due, including extensions.

You do not have to include in your gross income an excess contribution that you withdraw from your IRA before your tax return is due if:

1) No deduction was allowed for the excess contribution, and
2) The interest or other income earned on the excess was also withdrawn.

However, ***you must include*** in your gross income the interest or other income that was earned on the excess contribution. Report it on your return in the year of the excess contribution. Your withdrawal of interest or other income may be subject to an additional 10% tax on early withdrawals, discussed later.

Form W-2P. You will receive Form W-2P, *Statement for Recipients of Annuities, Pensions, Retired Pay, or IRA Payments,* or Form 1099-R, *Statement for Recipients of Total Distributions From Profit-Sharing, Retirement Plans, Individual Retirement Arrangements, Insurance Contracts, Etc.,* indicating the amount of the withdrawal. If the excess contribution was made in a previous tax year, these forms will indicate the year in which the earnings are taxable.

Excess contributions you withdraw after your return is due. If the total contributions (other than rollover contributions) for the year to your IRA are $2,250 or less, and there are no employer contributions for the year, you can withdraw any excess contribution after the due date for filing your tax return, including extensions, and not include the amount withdrawn in your gross income. This applies only to the part of the excess for which you did not take a deduction.

Excess contribution deducted in an earlier year. If you deducted an excess contribution in an earlier year for which the total contributions were $2,250 or less, and for which there were no employer contributions, you can still remove the excess from your IRA and not include it in your gross income. To do this, file Form 1040X, *Amended U.S. Individual Income Tax Return,* for that year and do not deduct the excess contribution on the amended return. Generally, you can file an amended return within 3 years after you filed your return, or 2 years from the time the tax was paid, whichever is later.

Excess due to incorrect rollover information. If an excess contribution in your IRA is the result of a rollover, and the excess occurred because you had incorrect information required to be supplied by the plan, you can withdraw the excess contribution. The $2,250 limit, mentioned above, is increased by the amount of the excess that is due to the incorrect information. You will have to amend your return for the year in which the excess occurred. Do not include in your gross income, in the year you withdraw it, the excess contribution that was the result of the incorrect information.

Taking a deduction in a later year for an excess contribution. You cannot reduce an excess by applying it against an earlier year in which less than the maximum amount allowable was contributed. But you can apply it to a later year if the contributions for that later year are less than the maximum allowed for that year.

You can deduct from your gross income, in the first available tax year, the amount of the excess contributions in your IRA, from preceding years, up to the difference between the maximum amount that is deductible in the year and the amount actually contributed during the year.

This method lets you avoid making a withdrawal. It does not, however, let you avoid the 6% tax on any excess contributions remaining at the end of a tax year.

Example. Terry was entitled to contribute to her IRA and deduct $1,000 in 1989 and $1,500 in 1990, the amounts of her taxable compensation for these years. In 1989, she actually contributed $1,400 but could deduct only $1,000. In 1989, $400 is an excess contribution, subject to the 6% tax. However, she would not have to pay the 6% tax if she withdrew the excess (including any earnings) before the due date of her 1989 return. Since Terry did not withdraw the excess, she can correct the $400 excess amount from 1989 in 1990 if her actual contributions are only $1,100 in 1990 (the allowable deductible contribution of $1,500 minus the $400 excess from 1989 she wants to deduct in 1990). Terry can deduct $1,500 in 1990 (the $1,100 actually contributed plus the $400 excess from 1989).

Closed tax year. A special rule applies if you incorrectly deducted part of the excess contribution in a closed tax year (one for which the period to assess a tax deficiency has expired). The amount allowable as an IRA deduction for a later correction year (the year you contribute less than the allowable amount) must be reduced by the amount of the excess contribution deducted in the closed year.

Premature Distributions (Early Withdrawals)

You must include in your gross income premature distributions (sometimes called early withdrawals or early distributions) from your IRA. They are also subject to an additional tax, as discussed below.

Premature distributions are amounts you withdraw from your IRA account or annuity before you are age 59½, or amounts you receive when you cash in retirement bonds before you are age 59½.

Exceptions. In certain circumstances, the additional tax does not apply to distributions from your IRA, even though they are made before you are age 59½. The exceptions are discussed near the beginning of Chapter 6 under *Exceptions.*

Additional tax. The additional tax on premature distributions is equal to 10% of the amount of the premature distribution that you must include in your gross income. This tax is in addition to any regular income tax that is due.

Use **Form 5329** to figure the tax. See the discussion of Form 5329, later, under *Reporting Additional Taxes,* for information on filing the form.

Example. Tom, who is 35 years old, withdraws $3,000 from his IRA account. The $3,000 is a premature distribution. Tom must include the $3,000 in his gross income for that year and pay income tax on it. Tom must also pay an additional tax of $300 (10% × $3,000). See the filled-in Form 5329, in Appendix C.

Rollovers. The tax on premature distributions does not apply to amounts that are rolled over as explained earlier under *Rollovers.*

Excess Accumulations (Insufficient Distributions)

Amounts contributed to your IRA cannot be kept in it indefinitely. In general, you must begin receiving distributions by April 1 of the year following the year in which you reach age 70½. If distributions are less than the required ***minimum distribution*** for the year, discussed in Chapter 6, you may have to pay a ***50% excise tax*** for the year on the amount not distributed as required.

Reporting the tax. Use **Form 5329,** *Return for Additional Taxes Attributable to Qualified Retirement Plans (including IRAs), Annuities, and Modified Endowment Contracts,* to report the tax on excess accumulations. See the discussion of Form 5329, later, under *Reporting Additional Taxes,* for more information on filing the form.

Request to excuse the tax. If the excess accumulation is due to reasonable error, and you have taken, or are taking, steps to remedy the insufficient distribution, you can request that the tax be excused.

How to file the request. File Form 5329 with your Form 1040 and pay any tax you owe on excess accumulations. Attach an explanation for the excess accumulation and show when you removed the excess or what you have done that will result in its withdrawal.

If the IRS approves your request, it will refund the excess accumulations tax you paid.

Excess Distributions

If you received *retirement distributions* during the year of more than $150,000, you may have to pay a 15% excise tax ***on the distributions exceeding that amount.*** The term ***retirement distributions*** means your distributions from any plan, contract, or account that at any time has been treated as a qualified employer plan or IRA.

Use Form 5329 to figure the tax. See the discussion of Form 5329, later, under *Reporting Additional Taxes.*

This excise tax is reduced by any tax on premature distributions that applies to the excess distribution. See *Premature Distributions,* discussed earlier.

Excluded distributions. The excess distribution tax does not apply to the following distributions:

1) Distributions after the employee's death,
2) Distributions that are rolled over, and
3) Distributions that represent nondeductible contributions.

Combining distributions. If distributions with regard to a person are made to that person and others, the distributions must be combined to figure the amount of excess distributions for the year.

Special limitation on tax. On a return filed for a tax year ended before January 1, 1989, you could have chosen not to pay the 15% tax on the part of any distribution that is related to your accrued benefits on August 1, 1986. This rule ***applies only if*** the accrued benefit as of August 1, 1986, exceeded $562,500.

However, if you made this choice to exclude from the tax on excess distributions a distribution amount allocable to your August 1, 1986, benefit accruals, your other retirement distributions are subject to the tax to the extent they are more than $128,228 for 1990 (instead of $150,000). Furthermore, this $128,228 amount is reduced (but not below zero) by any distributions received during the year that are allocable to the August 1, 1986, benefit accruals.

If you did not elect to apply this rule, then the 15% tax will apply to the part of the distribution that exceeds $150,000

Increase in estate tax. For decedents dying after December 31, 1986, the estate tax will be increased by 15% of the excess retirement accumulation. A person's excess retirement accumulation, if any, is the value of the decedent's interests in all qualified employee plans, tax-sheltered annuities, qualified annuity plans, individual retirement accounts, and any other plans that the Internal Revenue Service may include, ***over*** the "present value" of a single life annuity with payments equal to the annual ceiling ($150,000), and payable for a period equal to the decedent's life expectancy immediately before death. The tax may not be offset by any credits against the estate tax, such as the unified credit.

Reporting Additional Taxes

Use **Form 5329,** *Return for Additional Taxes Attributable to Qualified Retirement Plans (Including IRAs), Annuities, and Modified Endowment Contracts,* to report the tax on excess contributions, premature distributions, excess distributions, and excess accumulations.

You also must file Form 5329 if you:

- Meet an exception to the 10% additional tax on early (premature) distributions, but only if the exception is ***not*** shown on the ***Form 1099*** or ***Form W-2P*** that you received for the distribution, or
- Receive excess distributions from a qualified retirement plan, whether or not you owe tax on them.

If you file Form 1040, complete Form 5329 and attach it to your Form 1040. Enter the total amount of IRA tax due on line 52, Form 1040.

If you do not have to file a Form 1040 but do have to pay one of the IRA taxes mentioned earlier, file the completed Form 5329 with IRS at the time and place you would have filed Form 1040. Include a check or money order payable to IRS for the tax you owe, as shown on Form 5329. Write your social security number, tax form number, and tax year on your check or money order.

8. Simplified Employee Pension (SEP)

A simplified employee pension (SEP) is a written arrangement (a plan) that allows an employer to make contributions toward his or her own (if a self-employed individual) and employees' retirement, without becoming involved in more complex retirement plans. A SEP requires an IRA (a SEP-IRA) to be set up for, at a minimum, each ***qualifying employee*** (defined below).

Note. An employer can establish less restrictive qualification requirements than those mentioned below, but not more restrictive ones.

An employer can use **Form 5305-SEP,** *Simplified Employee Pension – Individual Retirement Account Contribution Agreement,* to satisfy the written arrangement requirement for a SEP.

An employer who signs a SEP agreement is not required to make any contribution to the SEP-IRAs that are set up. But, if the employer does make contributions, the contributions must be based on a written allocation formula and must not discriminate in favor of officers, shareholders, or highly compensated employees (defined below).

Definitions

A ***qualifying employee*** is one who:

Is at least 21 years old,

Has worked for the employer during at least 3 of the 5 years immediately preceding the tax year, and

Has received from the employer at least $342 in compensation in the tax year.

A self-employed individual is an employee for SEP purposes. He or she is also the employer. Even if the self-employed individual is the only qualifying employee, he or she can have a SEP-IRA.

A highly compensated employee is an employee who during the year or preceding year:

1) Owns more than 5% of the capital or profits interest in the employer (if not a corporation); or more than 5% of the outstanding stock or more than 5% of the total voting power of all stock of the employer corporation;
2) Received annual compensation from the employer of more than $85,485;
3) Received annual compensation from the employer of more than $56,990 and was a member of the top-paid group (20%) of employees during the year; or
4) Is an officer whose annual compensation exceeds 150% of the dollar limit on the annual benefits under a defined benefit plan.

Leased employees. The person or firm for whom you perform services (the recipient) may have to include you in a SEP if you are a "leased employee" and are treated as an employee of the recipient. A leased employee is any person who is not an employee of the recipient and who is hired by a leasing organization, but who performs services for another (the recipient of the services). You are a leased employee if:

1) Your services are provided under an agreement between the recipient and the leasing organization,
2) Your services are performed for the recipient, or for the recipient and related persons, on a substantially full-time basis, for a period of at least one year, and
3) Your services are of a type historically performed by employees in the recipient's field of business.

For more information on employee leasing, see the discussion in Publication 535, *Business Expenses.*

Excludable employees. The following employees need not be considered for coverage under a SEP:

Employees covered by a union agreement and whose retirement benefits were bargained for in good faith by their union and their employer, and

Nonresident alien employees who have no U.S. source earned income from their employer. For more information about nonresident aliens, see Publication 519, *U.S. Tax Guide for Aliens.*

Contributions

The SEP rules permit an employer to contribute each year to each employee's SEP-IRA and deduct up to ***15%*** of the employee's compensation ***or $30,000,*** whichever is less. These contributions are funded by the employer.

Figuring the 15% limit. For purposes of determining the 15% limit, ***compensation does not include*** your employer's contribution to your SEP-IRA, and is limited to $209,200.

Example. Barry's employer has a SEP for its employees. Barry's compensation for 1990, before his employer's contribution to his SEP-IRA, was $20,000. Barry's employer can contribute up to $3,000 (15% × $20,000) to Barry's SEP-IRA.

Deduction limit for a self-employed person. If you are self-employed and contribute to your own SEP-IRA, special rules apply when figuring your maximum deduction for these contributions.

For determining the percentage limit on contributions, discussed above, your ***compensation*** is your ***net earnings*** from self-employment. See *Net earnings,* below. You will note that, for SEP purposes, your net earnings (compensation) must take into account your deduction for contributions to your own SEP-IRA. Because your deduction amount and your net earnings amount are each dependent on the other, this adjustment presents a problem.

To solve this problem, you make the adjustment to net earnings indirectly by, in figuring your maximum deduction, reducing the contribution rate called for in the plan. Use the following worksheet to find this reduced contribution rate and your maximum deduction. Make no reduction to the contribution rate for any common-law employees.

1) Contribution rate in plan shown as a decimal	_____
2) Rate in line (1) plus one	_____
3) Reduced rate for self-employed person (divide line (1) by line (2))	_____
4) Net earnings (if more than $209,200, see Publication 560) not reduced for contributions to your SEP-IRA	$_____
5) Maximum deduction for contributions to self-employed person's SEP-IRA (multiply line (4) by line (3))	$_____

Example. You are a sole proprietor and have employees. The terms of your SEP provide that you contribute for yourself 15% of your net earnings, and for your employees 15% of their pay. Your net earnings from your business (not taking into account a deduction for contributions to your own SEP-IRA) are $196,000. In figuring this amount, you deducted your employees' pay of $60,000 and contributions for them of $9,000 (15% of $60,000). Using the worksheet, you figure your maximum deduction for contributions to your own SEP-IRA as follows.

1) Contribution rate in plan shown as a decimal	.15
2) Rate in line (1) plus one	1.15
3) Reduced rate for self-employed person (divide line (1) by line (2))	.130435
4) Net earnings (if more than $209,200, see Publication 560) not reduced for contributions to your SEP-IRA	$196,000
5) Maximum deduction for contributions to self-employed person's SEP-IRA (multiply line (4) by line (3))	$25,565

Net earnings. For SEP purposes, your net earnings are your gross income from your business minus allowable deductions for that business. Allowable deductions include contributions to your employees' SEP-IRAs. You also take into account the deduction allowed for one-half of your self-employment tax, and the deduction for contributions to your own SEP-IRA. Net earnings do not include tax-free items, or deductions related to them.

Time limit for contributions. To deduct contributions for a year, the employer must make the contributions not later than the due date (including extensions) of the employer's return for the year.

Overall limit on employer contributions. If an employer contributes to a defined contribution retirement plan (a plan under which an individual account is set up for each participant), annual additions to an account are limited to the lesser of (1) $30,000 or (2) 25% of the participant's compensation. Moreover, for purposes of these limits, contributions to more than one such plan must be added. Since a SEP is considered a defined contribution plan for purposes of these limits, employer contributions to a SEP must be added to other contributions to defined contribution plans.

Tax treatment of employer's contributions. Unlike your contributions to IRAs, contributions to your SEP-IRA by your employer are ***excluded*** from your income rather than deducted from it. Your employer's contributions to your SEP-IRA should not be included in your wages on your Form W–2, *Wage and Tax Statement*, unless there are contributions in excess of the applicable limit, or unless there are contributions under a salary reduction arrangement. Form W–2 should include contributions under a salary reduction arrangement for social security tax purposes only. If there are no excess contributions, you do not include any contributions in your gross income; nor do you deduct any of them.

If there are excess employer contributions, you must include them in your gross income, without any offsetting deduction, and your Form W–2 should include the amount.

Excess employer contributions you withdraw before your return is due. If your employer contributes more to your SEP-IRA than 15% of your compensation or $30,000, whichever is less, you will not have to pay the 6% excise tax (discussed in Chapter 7) on it if you withdraw this excess amount (and any interest or other income earned on it) from your SEP-IRA before the date for filing your tax return, including extensions. However, you may have to pay an additional 10% tax (discussed in Chapter 7) on the early withdrawal of the interest or other income earned on the excess contribution.

Excess employer contributions you withdraw after your return is due. If employer contributions for the year are $30,000 or less, you may withdraw any excess employer contributions from your SEP-IRA after the due date for filing your tax return, including extensions, free of the 10% tax on premature distributions, discussed earlier. However, the excess contribution is subject to the annual 6% excise tax.

Contributions you make to your SEP-IRA. If you make contributions to your SEP-IRA independent of employer SEP contributions, you can deduct them the same way as contributions to a regular IRA. However, Your deduction may be reduced or eliminated because, as a participant in a SEP, you are covered by an employer retirement plan. See Chapter 4, *How Much Can I Contribute and Deduct?*

Excess contributions you make. For information on excess contributions, see Chapter 7, *What Acts Result in Penalties?*

Salary Reduction Arrangement

A SEP may include a salary reduction arrangement. Under the arrangement, you can elect to have your employer contribute part of your pay to your SEP-IRA. Only the remaining portion of your pay is currently taxable. The tax on the contribution is deferred. Thus, this choice is called an ***elective deferral.*** Form 5305A-SEP, *Salary Reduction and Other Elective Simplified Employee Pension–Individual Retirement Accounts Contribution Agreement*, can be used by an employer to set up such an arrangement.

Restrictions on election. You can choose elective deferrals only if:

- At least 50% of employees eligible to participate choose elective deferrals,
- There were no more than 25 eligible employees at any time during the preceding year, and
- The amount deferred each year by each eligible highly compensated employee as a percentage of pay is no more than 125% of the average deferral percentage of all other eligible employees ***(ADP test)***. Compensation in excess of $209,200 cannot be considered in figuring an employee's deferral percentage.

Exceptions. An elective deferral arrangement is not available for a SEP maintained by a state or local government, or any of their political subdivisions, agencies, or instrumentalities, or to a tax-exempt organization.

Limits on deferrals. In general, the total income you can defer under a salary reduction arrangement included in your SEP and certain other elective deferral arrangements, for 1990, is limited to $7,979. This limit applies only to the amounts that represent a reduction from your salary, not to any contributions from employer funds.

Elective deferrals, not exceeding the ADP test, are excluded from your income in the year of deferral, but are included in wages for social security (FICA) and unemployment (FUTA) tax purposes.

Overall limits on employer contributions. Contributions, including elective deferrals (salary reductions), made by your employer to the SEP-IRA are subject to the overall limit of 15% of your compensation (up to $209,200 for 1990) or $30,000, whichever is less.

pendices

elp you complete your tax return, the wing appendices include the following chart, sheets, sample forms, and tables:

pendix A — Chart, *Can You Take An IRA eduction?* This chart provides a quick refer- ce to help you determine if you need to mpute a reduced IRA deduction.

pendix B — contains worksheets that you e if you receive social security benefits and e subject to the IRA deduction phaseout rules. filled-in example is included.

a) Worksheet 1, *Computation of Modified AGI*

b) Worksheet 2, *Computation of IRA Deduction*

c) Worksheet 3, *Computation of Taxable Social Security Benefits*

d) Example and completed worksheets

- **Appendix C** — Filled-in Form 5329, *Return for Additional Taxes Attributable to Qualified Retirement Plans (Including IRAs), Annuities, and Modified Endowment Contracts*
- **Appendix D** — Filled-in Forms 8606, *Nondeductible IRA Contributions, IRA Basis, and Nontaxable IRA Contributions*
- **Appendix E** — *Life Expectancy Tables* and the *Table for Determining Applicable Divisor for MDIB (Minimum Distribution Incidental Benefit).* These tables are included to assist you in computing your required minimum distribution amount when you do not take a lump-sum distribution from your IRA.
- **Appendix F** — *Summary Record of IRA(s) for 1990* and *Worksheet For Determining Required Annual Distributions From Your IRA(s).*

APPENDIX A

CAN YOU TAKE AN IRA DEDUCTION?

This chart sums up whether you can take a full deduction, a partial deduction, or no deduction as discussed in Chapter 4.

If Your Modified AGI* is		If You Are Covered by a Retirement Plan at Work and Your Filing Status is			If You Are Not Covered by a Retirement Plan at Work and Your Filing Status is			
		•Single •Head of Household	• Married Filing Jointly (even if your spouse is not covered by a plan at work) • Qualifying Widow(er)	Married Filing Separately**	Married Filing Jointly (and your spouse is covered by a plan at work)	• Single • Head of Household	• Married Filing Jointly or Separately (and your spouse is not covered by a plan at work) • Qualifying Widow(er)	Married Filing Separately (even if your spouse is covered by a plan at work)***
At Least	But Less Than	You Can Take	You Can Take	You Can Take	You Can Take	You Can Take	You Can Take	You Can Take
$-0-	$10,000	Full deduction	Full deduction	Partial deduction	Full deduction	Full Deduction	Full Deduction	Full Deduction
$10,000	$25,000	Full deduction	Full deduction	No deduction	Full deduction			
$25,000	$35,000	Partial deduction	Full deduction	No deduction	Full deduction			
$35,000	$40,000	No deduction	Full deduction	No deduction	Full deduction			
$40,000	$50,000	No deduction	Partial deduction	No deduction	Partial deduction			
$50,000 or over		No deduction	No deduction	No deduction	No deduction			

***Modified AGI** (adjusted gross income) is: (1) for Form 1040A—the amount on line 14 increased by any exluded series EE bond interest shown on Form 8815, *Exclusion of Interest from Series EE U.S. Savings Bonds Issued after 1989*, or (2) for Form 1040—the amount on line 31, figured without taking into account any IRA deduction or any foreign earned income exclusion and foreign housing exclusion (deduction), or any series EE bond interest exclusion from Form 8815.

**If you did not live with your spouse at any time during the year, your filing status is considered, for this purpose, as Single (therefore your IRA deduction is determined under the "Single" column).

***You are entitled to the full deduction only if you did not live with your spouse at any time during the year. If you did live with your spouse during the year, you are, for this purpose, treated as though you are covered by a retirement plan at work (therefore, your IRA deduction is determined under the "Married Filing Separately" column in the "If You Are Covered by a Retirement Plan..." section of the chart).

APPENDIX B

WORKSHEETS FOR SOCIAL SECURITY RECIPIENTS WHO CONTRIBUTE TO AN IRA

If you receive social security benefits, have taxable compensation, contribute to your IRA, and are covered (or considered covered) by an employer retirement plan, complete the following worksheets. (See *Who is Covered by an Employer Plan?* in Chapter 4.)

Use Worksheet 1 to figure your modified adjusted gross income. This amount is needed in the computation of your IRA deduction, if any, which is figured using Worksheet 2.

The IRA deduction figured using Worksheet 2 is entered on your tax return.

You then use Worksheet 3 to figure the taxable portion, if any, of your social security benefits. (Do not use the worksheet contained in the instructions to Form 1040.) You will note that, in using Worksheet 3, you will need to know the IRA deduction entered on your tax return, which, as mentioned, is figured using Worksheet 2. Worksheet 3 is only for figuring the taxable portion of your social security benefits. Its result does not affect your IRA computation.

Worksheet 1
Computation of Modified AGI
(For use only by taxpayers who receive social security benefits)

1) Adjusted gross income (AGI) from Form 1040 or Form 1040A (not taking into account any social security benefits from Form SSA-1099 or RRB-1099, any deduction for an IRA, or any exclusion of interest from savings bonds to be reported on Form 8815) ..... _____

2) Enter 1/2 of amount in Box 5 of all Forms SSA-1099 and Forms RRB-1099 ..... _____

3) Enter the amount of any foreign earned income exclusion, foreign housing exclusion, U.S. possessions income exclusion, or exclusion of income from Puerto Rico you claimed as a bona fide resident of Puerto Rico ..... _____

4) Enter the amount of any tax-exempt interest reported on line 8b of Form 1040 or 1040A ..... _____

5) Add lines 1, 2, 3, and 4 ..... _____

6) Enter the amount listed below for your filing status ..... _____

- **$25,000** if you filed as single, head of household, qualifying widow(er) with dependent child, or married filing a separate return, and you did not live with your spouse at any time during the year, or
- **$32,000** if you are married filing a joint return, or
- **$–0–** if you are married filing a separate return, and you lived with your spouse at any time during the year

7) Subtract line 6 from line 5. If zero or less, enter 0 on this line and on lines 8 and 9 ..... _____

8) Divide line 7 by 2 ..... _____

9) Taxable social security benefits to be included in AGI for determining IRA deduction—compare lines 2 and 8 and enter the smaller ..... _____

10) Enter the amount of any foreign earned income exclusion and foreign housing exclusion or deduction that you claimed ..... _____

11) **Modified AGI** for determining your partial IRA deduction—add lines 1, 9, and 10. (Also enter this amount on line 2 of Worksheet 2, next.) ..... _____

APPENDIX B

Worksheet 2
Computation of IRA Deduction
(For use only by taxpayers who receive social security benefits)

If your filing status is:	And your modified AGI is over:	Enter on line 1 below:
Single, or Head of household	$25,000*	$35,000
Married-joint return, or qualifying widow(er)	$40,000*	$50,000
Married-separate return**	$ -0-*	$10,000

* If your modified AGI is not over this amount, you can take an IRA deduction for your contributions of up to the lesser of $2,000 or your taxable compensation. Skip this worksheet and proceed to Worksheet 3.

** If you did not live with your spouse at any time during the year, consider your filing status as single.

NOTE: If you were married and both you and your spouse worked and you both contributed to IRAs, figure the deduction for each of you separately.

1. Enter the applicable amount from above ..... _____
2. Enter your **modified AGI** from Worksheet 1, line 11 ..... _____

NOTE: If line 2 is equal to or more than the amount on line 1, **stop here**; your IRA contributions are not deductible. Proceed to Worksheet 3.

3. Subtract line 2 from line 1. ..... _____
4. Multiply line 3 by 20% (.20). If the result is not a multiple of $10, round it to the next highest multiple of $10. (For example, $611.40 is rounded to $620.) However, if the result is less than $200, enter $200..... _____
5. Enter your compensation. (Do not include your spouse's compensation.) ..... _____
6. Enter contributions you made to your IRA for 1990, but do not enter more than $2,000..... _____
7. **IRA deduction.** Compare lines 4, 5, and 6. Enter the smallest amount here. Enter this amount on the Form 1040 or 1040A line for your IRA. (If the amount on line 6 is more than the amount on line 7 and you want to make a nondeductible contribution, go to line 8.) ..... _____
8. **Nondeductible contributions.** Subtract line 7 from line 5 or 6, whichever is smaller. Enter the result here and on line 2 of your Form 8606, *Nondeductible IRA Contributions, IRA Basis, and Nontaxable IRA Distributions* ..... _____

APPENDIX B

Worksheet 3
Computation Of Taxable Social Security Benefits
(For use only by taxpayers who receive social security benefits)

1) Adjusted gross income (AGI) from Form 1040 or Form 1040A (*taking into account* any IRA deduction, but *not taking into account* any social security benefits from Form SSA-1099 or RRB-1099, or any exclusion of interest from savings bonds to be reported on Form 8815) .....

2) Enter 1/2 of amount in Box 5 of all Forms SSA-1099 and Forms RRB-1099 .....

3) Enter the amount of any foreign earned income exclusion, foreign housing exclusion, exclusion of income from U.S. possessions, or exclusion of income from Puerto Rico you claimed as a bona fide resident of Puerto Rico .....

4) Enter the amount of any tax-exempt interest reported on line 8b of Form 1040 or 1040A .....

5) Add lines 1, 2, 3, and 4 .....

6) Enter the amount listed below for your filing status .....

- **$25,000** if you filed as single, head of household, qualifying widow(er) with dependent child, or married filing a separate return, and you *did not* live with your spouse at any time during the year,* or
- **$32,000** if you are married filing a joint return, or
- **$–0–** if you are married filing a separate return, and you lived with your spouse at any time during the year

7) Subtract line 6 from line 5. If zero or less, enter 0 on this line and on lines 8 and 9 .....

8) Divide line 7 by 2 .....

9) **Taxable social security benefits.**

- First, multiply the amount on line 2, above, by 2, and enter the result on Form 1040, line 21a (or Form 1040A, line 13a).
- Then, compare the amounts on lines 2 and 8 above. Enter the smaller amount here and on Form 1040, line 21b (or Form 1040A, line 13b) .....

* If your filing status was married filing a separate return, and you did not live with your spouse at any time during the year, write the letter "D" on the dotted line next to line 21a of Form 1040 (or in the space to the left of line 13a on Form 1040A).

APPENDIX B

Comprehensive Example
Determining Your IRA Deduction and the Taxable Portion of Your Social Security Benefits

John Black is single and had 1990 wages of $28,500. He also received social security benefits of $5,700 and made a $2,000 contribution to his IRA for the year. He had no foreign income, no tax-exempt interest, and no adjustments to income on lines 25 through 29 on his Form 1040. He participated in a section 401(k) retirement plan at work.

John completes Worksheets 1, 2, and 3. Worksheet 2 shows that his 1990 IRA deduction is $730. He must either withdraw the excess amount ($1,270, shown on line 8 of Worksheet 2), or treat that excess amount as a nondeductible contribution (in which case he must complete Form 8606 and attach it to his Form 1040).

The completed worksheets that follow show how John figured his modified AGI to determine the IRA deduction (his IRA deduction) and the taxable social security benefits to report on his Form 1040.

Worksheet 1
Computation of Modified AGI
(For use only by taxpayers who receive social security benefits)

1)	Adjusted gross income (AGI) from Form 1040 or Form 1040A (not taking into account any social security benefits from Form SSA-1099 or RRB-1099, any deduction for an IRA, or any exclusion of interest from savings bonds to be reported on Form 8815)	$28,500
2)	Enter 1/2 of amount in Box 5 of all Forms SSA-1099 and Forms RRB-1099	$2,850
3)	Enter the amount of any foreign earned income exclusion, foreign housing exclusion, U.S. possessions income exclusion, or exclusion of income from Puerto Rico you claimed as a bona fide resident of Puerto Rico	–0–
4)	Enter the total amount of any tax-exempt interest reported on line 8b of Form 1040 or 1040A	–0–
5)	Add lines 1, 2, 3, and 4	$31,350
6)	Enter the amount listed below for your filing status	$25,000
	• **$25,000** if you filed as single, head of household, qualifying widow(er) with dependent child, or married filing a separate return, and you did not live with your spouse at any time during the year, or • **$32,000** if you are married filing a joint return, or • **–0–** if you are married filing a separate return, and you lived with your spouse at any time during the year	
7)	Subtract line 6 from line 5. If zero or less, enter zero on this line and on lines 8 and 9	$6,350
8)	Divide line 7 by 2	$3,175
9)	Taxable social security benefits to be included in AGI for determining IRA deduction—compare lines 2 and 8 and enter the smaller	$2,850
10)	Enter the amount of any foreign earned income exclusion and foreign housing exclusion or deduction that you claimed	–0–
11)	**Modified AGI** for determining your IRA deduction—add lines 1, 9, and 10. (Also enter this amount on line 2 of Worksheet 2, next.)	$31,350

APPENDIX B

Worksheet 2
Computation of IRA Deduction
(For use only by taxpayers who receive social security benefits)

If your filing status is:	And your modified AGI is over:	Enter on line 1 below:
Single, or Head of household	$25,000*	$35,000
Married-joint return, or qualifying widow(er)	$40,000*	$50,000
Married-separate return**	$ –0–*	$10,000

* If your modified AGI is not over this amount, you can take an IRA deduction for your contributions of up to the lesser of $2,000 or your taxable compensation. Skip this worksheet and proceed to Worksheet 3.

** If you did not live with your spouse at any time during the year, consider your filing status as single.

NOTE: If you were married and both you and your spouse worked and you both contributed to IRAs, figure the deduction for each of you separately.

1.	Enter the applicable amount from above	$35,000
2.	Enter your **modified AGI** from Worksheet 1, line 11	$31,350

NOTE: If line 2 is equal to or more than the amount on line 1, **stop here**; your IRA contributions are not deductible. Proceed to Worksheet 3.

3.	Subtract line 2 from line 1.	$3,650
4.	Multiply line 3 by 20% (.20). If the result is not a multiple of $10, round it to the next highest multiple of $10. (For example, $611.40 is rounded to $620.) However, if the result is less than $200, enter $200	$730
5.	Enter your compensation. (Do not include your spouse's compensation.)	$28,500
6.	Enter contributions you made to your IRA for 1990, but do not enter more than $2,000	$2,000
7.	**IRA deduction.** Compare lines 4, 5, and 6. Enter the smallest amount here. Enter this amount on the Form 1040 or 1040A line for your IRA. (If the amount on line 6 is more than the amount on line 7 and you want to make a nondeductible contribution, go to line 8.)	$730
8.	**Nondeductible contributions.** Subtract line 7 from line 5 or 6, whichever is smaller. Enter the result here and on line 2 of your Form 8606, *Nondeductible IRA Contributions, IRA Basis, and Nontaxable IRA Distributions*	$1,270

APPENDIX B

Worksheet 3
Computation Of Taxable Social Security Benefits
(For use only by taxpayers who receive social security benefits)

Adjusted gross income (AGI) from Form 1040 or Form 1040A (*taking into account* any IRA deduction, but *not taking into account* any social security benefits from Form SSA-1099 or RRB-1099, or any exclusion of interest from savings bonds to be reported on Form 8815)	$27,770
Enter 1/2 of amount in Box 5 of all Forms SSA-1099 and Forms RRB-1099	2,850
Enter the amount of any foreign earned income exclusion, foreign housing exclusion, exclusion of income from U.S. possessions, or exclusion of income from Puerto Rico you claimed as a bona fide resident of Puerto Rico	-0-
Enter the amount of any tax-exempt interest reported on line 8b of Form 1040 or 1040A	-0-
Add lines 1, 2, 3, and 4	30,620
Enter the amount listed below for your filing status	25,000

- **$25,000** if you filed as single, head of household, qualifying widow(er) with dependent child, or married filing a separate return, and you *did not* live with your spouse at any time during the year,* or
- **$32,000** if you are married filing a joint return, or
- **$-0-** if you are married filing a separate return, and you lived with your spouse at any time during the year

Subtract line 6 from line 5. If zero or less, enter 0 on this line and on lines 8 and 9	5,620
Divide line 7 by 2	2,810
Taxable social security benefits.	

- First, multiply the amount on line 2, above, by 2, and enter the result on Form 1040, line 21a (or Form 1040A, line 13a).
- Then, compare the amounts on lines 2 and 8 above. Enter the smaller amount here and on Form 1040, line 21b (or Form 1040A, line 13b) — $2,810

* If your filing status was married filing a separate return, and you did not live with your spouse at any time during the year, write the letter "D" on the dotted line next to line 21a of Form 1040 (or in the space to the left of line 13a on Form 1040A).

APPENDIX C

Form **5329**

Department of the Treasury
Internal Revenue Service

Return for Additional Taxes Attributable to Qualified Retirement Plans (Including IRAs), Annuities, and Modified Endowment Contracts

(Under Sections 72, 4973, 4974 and 4980A of the Internal Revenue Code)
► Attach to Form 1040. See separate instructions.

OMB No 1545-0203

1990

Attachment Sequence No. **29**

Name of individual subject to penalty tax (Enter the name of **one** individual only. See the instructions for "Joint Returns.")
TOM

Your social security number
003 00 0000

Address (number and street) (Enter P.O. box no. if mail is not delivered to street address.)
5329 DOGWOOD LANE

City or town, state, and ZIP code
BEACHTOWN, NORTH CAROLINA 28000

Check this box if this is an Amended Return ► ☐

Part I Excess Contributions Tax for Individual Retirement Arrangements (Section 4973)

Complete this part if, either in this year or in earlier years, you have contributed more to your IRA than is or was allowable and you have an excess contribution subject to tax.

1	Excess contributions for 1990 (see instructions). Do not include this amount on Form 1040, line 24a or, 24b		1	500 00
2	Earlier year excess contributions not previously eliminated (see instructions)	2		
3	Contribution credit. (If your maximum allowable contribution for 1990 is more than your actual contribution, see instructions for line 3; otherwise, enter zero.)	3		
4a	1990 distributions from your IRA account that are includible in taxable income	4a		
b	1989 tax year excess contributions (if any) withdrawn after the due date (including extensions) of your 1989 income tax return, and 1988 and earlier tax year excess contributions withdrawn in 1990	4b		
c	Add lines 3 through 4b	4c		
5	Adjusted earlier year excess contributions (Subtract line 4c from line 2. Enter the result, but not less than zero.)		5	
6	Total excess contributions (add lines 1 and 5)		6	500 00
7	Tax (Enter 6% of line 6 or 6% of the value of your IRA on the last day of 1990, whichever is smaller.) Enter here and on Form 1040, line 52		7	30 00

Part II Tax on Early Distributions (Section 72)

*Complete this part if a taxable distribution was made from your qualified retirement plans (including IRAs), modified endowment contracts, or annuity contracts before you reached age 59½. **Note:** You must enter the amount of the distribution on the appropriate line (or lines) of Form 1040 or Form 4972.*

8	Early distributions included in gross income attributable to:			
a	Qualified retirement plans (including IRAs)	8a	3,000 00	
b	Annuity contracts	8b		
c	Modified endowment contracts	8c		
d	Prohibited transactions	8d		
e	Pledging of accounts as security	8e		
f	Cost of collectibles	8f		
g	Total distributions (add lines 8a through 8f)		8g	3,000 00
	Note: *Include this amount on line 16b or 17b of Form 1040.*			
9	Exceptions to distributions subject to additional taxes (see instructions):			
a	Due to death (does not apply to modified endowment contracts)	9a		
b	Due to total and permanent disability	9b		
c	As part of a series of substantially equal lifetime periodic payments	9c		
	Lines 9d through 9f DO NOT apply to distributions from IRAs, annuities, or modified endowment contracts.			
d	Due to separation from service in or after the year of reaching age 55	9d		
e	Distributions to the extent of deductible medical expenses	9e		
f	Made to an alternate payee under a qualified domestic relations order	9f		
g	Other (specify)	9g		
h	Total amount excluded from additional tax (add lines 9a through 9g)		9h	0 00
10	Amount subject to additional tax (subtract line 9h from 8g)		10	3,000 00
11	Total section 72 tax (multiply line 10 by 10% (.10)). Enter here and on Form 1040, line 52		11	300 00

For Paperwork Reduction Act Notice, see page 1 of separate instructions.

Form **5329** (1990)

APPENDIX C

Part III **Tax on Excess Accumulation in Qualified Retirement Plans (Including IRAs) (Section 4974)**

12	Minimum required distribution	12	
13	Amount actually distributed to you	13	
14	Subtract line 13 from line 12. If line 13 is greater than line 12, enter zero	14	
15	Tax due (multiply line 14 by 50% (.50)). Enter here and on Form 1040, line 52	15	

Part IV **Tax on Excess Distributions From Qualified Retirement Plans (Including IRAs) (Section 4980A)**

Lines 16 through 19c are to be completed for regular distributions ONLY.

16	Enter the aggregate amount of regular retirement distributions		16	
17a	Enter the applicable threshold amount ($128,228 or $150,000) (see instructions)	17a		
b	1990 recovery of grandfather amount (from Worksheet)	17b		
c	Enter the greater of line 17a or 17b		17c	
18	Excess distributions (subtract line 17c from line 16) (if less than zero, enter -0-)		18	
19a	Tentative tax (multiply line 18 by 15% (.15))		19a	
b	Section 72(t) tax offset (see instructions)		19b	
c	Tax due (subtract line 19b from line 19a). Enter here and on Form 1040, line 52		19c	

Lines 20 through 23c are to be completed for lump-sum distributions ONLY.

20	Enter the aggregate amount of your lump-sum distributions		20	
21a	Enter the applicable threshold amount ($641,140 or $750,000) (see instructions)	21a		
b	1990 recovery of grandfather amount (from Worksheet)	21b		
c	Enter the greater of line 21a or 21b		21c	
22	Excess distributions (subtract line 21c from line 20) (if less than zero, enter -0-)		22	
23a	Tentative tax (multiply line 22 by 15% (.15))		23a	
b	Section 72(t) tax offset (see instructions)		23b	
c	Tax due (subtract line 23b from line 23a). Enter here and on Form 1040, line 52		23c	

Acceleration Elections (see the instructions for Part IV, Worksheet 1)

1 Check here ▶ ☐ if you elected the discretionary method in 1987 or 1988 and wish to make an acceleration election under Temp. Regs. section 54.4981A-1T b-12.

2 Check here ▶ ☐ if you made an acceleration election in 1987, 1988, or 1989 and wish to revoke that election.
Note: *If you checked either 1 or 2 above, see the instructions for filing an amended return.*

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Tom. ▶ Your signature (Sign and date only if not attached to your income tax return.)

4/15/91 ▶ Date

Paid Preparer's Use Only

Preparer's signature ▶	Date	Check if self-employed ▶ ☐	Preparer's social security no. (see instructions)
Firm's name (or yours, if self-employed) and address ▶		E.I. No. ▶	
		ZIP code ▶	

APPENDIX D

Form **8606**

Department of the Treasury
Internal Revenue Service

Nondeductible IRA Contributions, IRA Basis, and Nontaxable IRA Distributions

▶ **Please see Recordkeeping Requirements on the back.**
▶ **Attach to Form 1040, Form 1040A, or Form 1040NR.**

OMB No. 1545-1007

1990

Attachment Sequence No. **47**

Name (If married, file a separate Form 8606 for each spouse. See instructions.) ROSE GREEN

Your social security number

Fill In Your Address Only If You Are Filing This Form by Itself and Not with Your Tax Return

Home address (number and street, or P.O. box if mail is not delivered to your home) 1040 ANY STREET

Apt. no.

City, town or post office, state, and ZIP code ANYTOWN, VIRGINIA 22000

1	Enter the total value of **ALL** your IRAs as of 12/31/90. (See instructions.)	1		*	
2	Enter your IRA contributions for 1990 that you choose to be nondeductible. Include those made during 1/1/91–4/15/91 that were for 1990. (See instructions.)			2	
3	Enter your total IRA basis for 1989 and prior years. (See instructions.)			3	
4	Add lines 2 and 3 and enter the total. If you did not receive any IRA distributions (withdrawals) in 1990, skip lines 5 through 13 and enter this amount on line 14			4	
5	Enter only those contributions included on line 2 that were made during 1/1/91–4/15/91. (This amount will be the same as line 2 if all of your nondeductible contributions for 1990 were made in 1991 by 4/15/91.) (See instructions.)			5	
6	Subtract line 5 from line 4 and enter the result			6	
7	Enter the amount from line 1 plus any outstanding rollovers. (See instructions.)	7		*	
8	Enter the total IRA distributions received during 1990. Do not include amounts rolled over before 1/1/91. (See instructions.)	8			
9	Add lines 7 and 8 and enter the total	9			
10	Divide line 6 by line 9 and enter the result as a decimal (to at least two places)	10	.		
11	Multiply line 8 by the decimal amount on line 10 and enter the result. This is the amount of your **nontaxable distributions for 1990**. (See instructions.) ▶			11	1,300 00
12	Subtract line 11 from line 6 and enter the result. This is the **basis in your IRA(s) as of 12/31/90**			12	
13	Enter the amount, if any, from line 5			13	
14	Add lines 12 and 13. This is your **total IRA basis for 1990 and prior years** ▶			14	

Sign Here Only If You Are Filing This Form by Itself and Not with Your Tax Return

Under penalties of perjury, I declare that I have examined this form, including accompanying attachments, and to the best of my knowledge and belief, it is true, correct, and complete.

▶ Rose Green
Your signature

▶ 1/15/91
Date

Paperwork Reduction Act Notice.—We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us this information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	26 minutes
Learning about the law or the form	7 minutes
Preparing the form	22 minutes
Copying, assembling, and sending the form to IRS	20 minutes

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the **Internal Revenue Service**, Washington, DC 20224, Attention: IRS Reports Clearance Officer, T:FP; and the **Office of Management and Budget**, Paperwork Reduction Project (1545-1007), Washington, DC 20503. **DO NOT** send this form to either of these offices. Instead, see **When and Where to File**, below.

General Instructions

Purpose of Form.—You must use Form 8606 to report the amount of your IRA contributions that you choose to be nondeductible. You may wish to make nondeductible contributions, for example, if all or part of your contributions are not deductible because of the income limitations for IRAs. First, figure the amount of your deductible contributions using the Instructions for Form 1040 or Form 1040A, whichever apply to you. Report the deductible contributions on Form 1040, Form 1040A, or Form 1040NR. Then enter on line 2 of Form 8606 the amount you choose to be nondeductible.

The part of any distributions you receive attributable to nondeductible contributions will not be taxable. If you have at any time made nondeductible contributions, also use Form 8606 to figure the nontaxable part of any IRA distributions you received in 1990. Line 11 will show the amount that is not taxable.

Who Must File.—You must file Form 860 for 1990 if **either** of the following applies:

- You made nondeductible contributions t your IRA for 1990, or
- You received IRA distributions in 1990 and you have at any time made nondeductible contributions to any of your IRA(s).

When and Where To File.—Attach Form 8606 to your 1990 Form 1040, Form 1040A, or Form 1040NR.

If you are required to complete Form 8606, but do not have to file an income tax return because you do not meet the requirements for filing a return, you still have to file a Form 8606 with the Internal Revenue Service at the time and place you would be required to file Form 1040, Form 1040A, or Form 1040NR.

Name and Social Security Number.—Enter your name and social security numbe on Form 8606. If you file a joint return on Form 1040 or Form 1040A, show the nam and social security number of the spouse whose IRA information is shown.

* FROM WORKSHEET IN IRS PUBLICATION 590

APPENDIX D

Form **8606**

Department of the Treasury
Internal Revenue Service

Nondeductible IRA Contributions, IRA Basis, and Nontaxable IRA Distributions

► **Please see Recordkeeping Requirements on the back.**
► **Attach to Form 1040, Form 1040A, or Form 1040NR.**

OMB No 1545-1007

1990

Attachment Sequence No. **47**

Name (If married, file a separate Form 8606 for each spouse. See instructions.)
BILL KING

Your social security number
002 00 0000

Fill In Your Address Only If You Are Filing This Form by Itself and Not with Your Tax Return

Home address (number and street, or P.O. box if mail is not delivered to your home)
8606 A STREET

Apt. no.

City, town or post office, state, and ZIP code
SOMETOWN, VIRGINIA 22000

1	Enter the total value of **ALL** your IRAs as of 12/31/90. (See instructions.)	1	1,800 00		
2	Enter your IRA contributions for 1990 that you choose to be nondeductible. Include those made during 1/1/91–4/15/91 that were for 1990. (See instructions.)			2	0 00
3	Enter your total IRA basis for 1989 and prior years. (See instructions.)			3	2,000 00
4	Add lines 2 and 3 and enter the total. If you did not receive any IRA distributions (withdrawals) in 1990, skip lines 5 through 13 and enter this amount on line 14			4	2,000 00
5	Enter only those contributions included on line 2 that were made during 1/1/91–4/15/91. (This amount will be the same as line 2 if all of your nondeductible contributions for 1990 were made in 1991 by 4/15/91.) (See instructions.)			5	0 00
6	Subtract line 5 from line 4 and enter the result			6	2,000 00
7	Enter the amount from line 1 plus any outstanding rollovers. (See instructions.)	7	1,800 00		
8	Enter the total IRA distributions received during 1990. Do not include amounts rolled over before 1/1/91. (See instructions.)	8	600 00		
9	Add lines 7 and 8 and enter the total	9	2,400 00		
10	Divide line 6 by line 9 and enter the result as a decimal (to at least two places)	10	.8333		
11	Multiply line 8 by the decimal amount on line 10 and enter the result. This is the amount of your **nontaxable distributions for 1990.** (See instructions.) ►			11	500 00
12	Subtract line 11 from line 6 and enter the result. This is the **basis in your IRA(s) as of 12/31/90**			12	1,500 00
13	Enter the amount, if any, from line 5			13	0 00
14	Add lines 12 and 13. This is your **total IRA basis for 1990 and prior years** ►			14	1,500 00

Sign Here Only If You Are Filing This Form by Itself and Not with Your Tax Return

Under penalties of perjury, I declare that I have examined this form, including accompanying attachments, and to the best of my knowledge and belief, it is true, correct, and complete.

► Bill King
Your signature

► 4/15/91
Date

Paperwork Reduction Act Notice.—We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us this information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	26 minutes
Learning about the law or the form	7 minutes
Preparing the form	22 minutes
Copying, assembling, and sending the form to IRS	20 minutes

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the **Internal Revenue Service**, Washington, DC 20224, Attention: IRS Reports Clearance Officer, T:FP; and the **Office of Management and Budget**, Paperwork Reduction Project (1545-1007), Washington, DC 20503. **DO NOT** send this form to either of these offices. Instead, see **When and Where to File**, below.

General Instructions

Purpose of Form.—You must use Form 8606 to report the amount of your IRA contributions that you choose to be nondeductible. You may wish to make nondeductible contributions, for example, if all or part of your contributions are not deductible because of the income limitations for IRAs. First, figure the amount of your deductible contributions using the Instructions for Form 1040 or Form 1040A, whichever apply to you. Report the deductible contributions on Form 1040, Form 1040A, or Form 1040NR. Then enter on line 2 of Form 8606 the amount you choose to be nondeductible.

The part of any distributions you receive attributable to nondeductible contributions will not be taxable. If you have at any time made nondeductible contributions, also use Form 8606 to figure the nontaxable part of any IRA distributions you received in 1990. Line 11 will show the amount that is not taxable.

Who Must File.—You must file Form 8606 for 1990 if **either** of the following applies:

- You made nondeductible contributions to your IRA for 1990, or
- You received IRA distributions in 1990 and you have at any time made nondeductible contributions to any of your IRA(s).

When and Where To File.—Attach Form 8606 to your 1990 Form 1040, Form 1040A, or Form 1040NR.

If you are required to complete Form 8606, but do not have to file an income tax return because you do not meet the requirements for filing a return, you still have to file a Form 8606 with the Internal Revenue Service at the time and place you would be required to file Form 1040, Form 1040A, or Form 1040NR.

Name and Social Security Number.—Enter your name and social security number on Form 8606. If you file a joint return on Form 1040 or Form 1040A, show the name and social security number of the spouse whose IRA information is shown.

APPENDIX D

Form **8606**

Department of the Treasury
Internal Revenue Service

Nondeductible IRA Contributions, IRA Basis, and Nontaxable IRA Distributions

▶ **Please see Recordkeeping Requirements on the back.**
▶ **Attach to Form 1040, Form 1040A, or Form 1040NR.**

OMB No 1545-1007

1990

Attachment Sequence No. 47

Name (If married, file a separate Form 8606 for each spouse. See instructions.)
BILL KING

Your social security number
002 00 0000

Fill In Your Address Only If You Are Filing This Form by Itself and Not with Your Tax Return

Home address (number and street, or P.O. box if mail is not delivered to your home)
8606 A STREET

Apt. no

City, town or post office, state, and ZIP code
SOMETOWN, VIRGINIA 22000

1	Enter the total value of **ALL** your IRAs as of 12/31/90. (See instructions.)	1	0 00	
2	Enter your IRA contributions for 1990 that you choose to be nondeductible. Include those made during 1/1/91–4/15/91 that were for 1990. (See instructions.)			2 0 00
3	Enter your total IRA basis for 1989 and prior years. (See instructions.)			3 1,500 00
4	Add lines 2 and 3 and enter the total. If you did not receive any IRA distributions (withdrawals) in 1990, skip lines 5 through 13 and enter this amount on line 14			4 1,500 00
5	Enter only those contributions included on line 2 that were made during 1/1/91–4/15/91. (This amount will be the same as line 2 if all of your nondeductible contributions for 1990 were made in 1991 by 4/15/91.) (See instructions.)			5 0 00
6	Subtract line 5 from line 4 and enter the result			6 1,500 00
7	Enter the amount from line 1 plus any outstanding rollovers. (See instructions.)	7	0 00	
8	Enter the total IRA distributions received during 1990. Do not include amounts rolled over before 1/1/91. (See instructions.)	8	1,300 00	
9	Add lines 7 and 8 and enter the total	9	1,300 00	
10	Divide line 6 by line 9 and enter the result as a decimal (to at least two places)	10	1.00	
11	Multiply line 8 by the decimal amount on line 10 and enter the result. This is the amount of your **nontaxable distributions for 1990**. (See instructions.) ▶			11 1,300 00
12	Subtract line 11 from line 6 and enter the result. This is the **basis in your IRA(s) as of 12/31/90**			12 200 00
13	Enter the amount, if any, from line 5			13 0 00
14	Add lines 12 and 13. This is your **total IRA basis for 1990 and prior years** ▶			14 200 00

Sign Here Only If You Are Filing This Form by Itself and Not with Your Tax Return

Under penalties of perjury, I declare that I have examined this form, including accompanying attachments, and to the best of my knowledge and belief, it is true, correct, and complete.

▶ Bill King
Your signature

▶ 4/15/92
Date

Paperwork Reduction Act Notice.—We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us this information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	26 minutes
Learning about the law or the form	7 minutes
Preparing the form	22 minutes
Copying, assembling, and sending the form to IRS	20 minutes

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the **Internal Revenue Service**, Washington, DC 20224, Attention: IRS Reports Clearance Officer, T:FP; and the **Office of Management and Budget**, Paperwork Reduction Project (1545-1007), Washington, DC 20503. **DO NOT** send this form to either of these offices. Instead, see **When and Where to File**, below.

General Instructions

Purpose of Form.—You must use Form 8606 to report the amount of your IRA contributions that you choose to be nondeductible. You may wish to make nondeductible contributions, for example, if all or part of your contributions are not deductible because of the income limitations for IRAs. First, figure the amount of your deductible contributions using the instructions for Form 1040 or Form 1040A, whichever apply to you. Report the deductible contributions on Form 1040, Form 1040A, or Form 1040NR. Then enter on line 2 of Form 8606 the amount you choose to be nondeductible.

The part of any distributions you receive attributable to nondeductible contributions will not be taxable. If you have at any time made nondeductible contributions, also use Form 8606 to figure the nontaxable part of any IRA distributions you received in 1990. Line 11 will show the amount that is not taxable.

Who Must File.—You must file Form 8606 for 1990 if **either** of the following applies:

- You made nondeductible contributions to your IRA for 1990, or
- You received IRA distributions in 1990 and you have at any time made nondeductible contributions to any of your IRA(s).

When and Where To File.—Attach Form 8606 to your 1990 Form 1040, Form 1040A, or Form 1040NR.

If you are required to complete Form 8606, but do not have to file an income tax return because you do not meet the requirements for filing a return, you still have to file a Form 8606 with the Internal Revenue Service at the time and place you would be required to file Form 1040, Form 1040A, or Form 1040NR.

Name and Social Security Number.—Enter your name and social security number on Form 8606. If you file a joint return on Form 1040 or Form 1040A, show the name and social security number of the spouse whose IRA information is shown.

APPENDIX E
Life Expectancy Tables

TABLE I
(Single Life Expectancy)*

AGE	DIVISOR	AGE	DIVISOR
35	47.3	75	12.5
36	46.4	76	11.9
37	45.4	77	11.2
38	44.4	78	10.6
39	43.5	79	10.0
40	42.5	80	9.5
41	41.5	81	8.9
42	40.6	82	8.4
43	39.6	83	7.9
44	38.7	84	7.4
45	37.7	85	6.9
46	36.8	86	6.5
47	35.9	87	6.1
48	34.9	88	5.7
49	34.0	89	5.3
50	33.1	90	5.0
51	32.2	91	4.7
52	31.3	92	4.4
53	30.4	93	4.1
54	29.5	94	3.9
55	28.6	95	3.7
56	27.7	96	3.4
57	26.8	97	3.2
58	25.9	98	3.0
59	25.0	99	2.8
60	24.2	100	2.7
61	23.3	101	2.5
62	22.5	102	2.3
63	21.6	103	2.1
64	20.8	104	1.9
65	20.0	105	1.8
66	19.2	106	1.6
67	18.4	107	1.4
68	17.6	108	1.3
69	16.8	109	1.1
70	16.0	110	1.0
71	15.3	111	.9
72	14.6	112	.8
73	13.9	113	.7
74	13.2	114	.6
		115	.5

*Table I does not provide for IRA owners younger than 35 years of age. For additional life expectancy tables, see Publication 939.

APPENDIX E
Life Expectancy Tables (continued)

TABLE II
(Joint Life and Last Survivor Expectancy)*

AGES	35	36	37	38	39	40	41	42	43	44
35	54.0	53.5	53.0	52.6	52.2	51.8	51.4	51.1	50.8	50.5
36	53.5	53.0	52.5	52.0	51.6	51.2	50.8	50.4	50.1	49.8
37	53.0	52.5	52.0	51.5	51.0	50.6	50.2	49.8	49.5	49.1
38	52.6	52.0	51.5	51.0	50.5	50.0	49.6	49.2	48.8	48.5
39	52.2	51.6	51.0	50.5	50.0	49.5	49.1	48.6	48.2	47.8
40	51.8	51.2	50.6	50.0	49.5	49.0	48.5	48.1	47.6	47.2
41	51.4	50.8	50.2	49.6	49.1	48.5	48.0	47.5	47.1	46.7
42	51.1	50.4	49.8	49.2	48.6	48.1	47.5	47.0	46.6	46.1
43	50.8	50.1	49.5	48.8	48.2	47.6	47.1	46.6	46.0	45.6
44	50.5	49.8	49.1	48.5	47.8	47.2	46.7	46.1	45.6	45.1
45	50.2	49.5	48.8	48.1	47.5	46.9	46.3	45.7	45.1	44.6
46	50.0	49.2	48.5	47.8	47.2	46.5	45.9	45.3	44.7	44.1
47	49.7	49.0	48.3	47.5	46.8	46.2	45.5	44.9	44.3	43.7
48	49.5	48.8	48.0	47.3	46.6	45.9	45.2	44.5	43.9	43.3
49	49.3	48.5	47.8	47.0	46.3	45.6	44.9	44.2	43.6	42.9
50	49.2	48.4	47.6	46.8	46.0	45.3	44.6	43.9	43.2	42.6
51	49.0	48.2	47.4	46.6	45.8	45.1	44.3	43.6	42.9	42.2
52	48.8	48.0	47.2	46.4	45.6	44.8	44.1	43.3	42.6	41.9
53	48.7	47.9	47.0	46.2	45.4	44.6	43.9	43.1	42.4	41.7
54	48.6	47.7	46.9	46.0	45.2	44.4	43.6	42.9	42.1	41.4
55	48.5	47.6	46.7	45.9	45.1	44.2	43.4	42.7	41.9	41.2
56	48.3	47.5	46.6	45.8	44.9	44.1	43.3	42.5	41.7	40.9
57	48.3	47.4	46.5	45.6	44.8	43.9	43.1	42.3	41.5	40.7
58	48.2	47.3	46.4	45.5	44.7	43.8	43.0	42.1	41.3	40.5
59	48.1	47.2	46.3	45.4	44.5	43.7	42.8	42.0	41.2	40.4
60	48.0	47.1	46.2	45.3	44.4	43.6	42.7	41.9	41.0	40.2
61	47.9	47.0	46.1	45.2	44.3	43.5	42.6	41.7	40.9	40.0
62	47.9	47.0	46.0	45.1	44.2	43.4	42.5	41.6	40.8	39.9
63	47.8	46.9	46.0	45.1	44.2	43.3	42.4	41.5	40.6	39.8
64	47.8	46.8	45.9	45.0	44.1	43.2	42.3	41.4	40.5	39.7
65	47.7	46.8	45.9	44.9	44.0	43.1	42.2	41.3	40.4	39.6
66	47.7	46.7	45.8	44.9	44.0	43.1	42.2	41.3	40.4	39.5
67	47.6	46.7	45.8	44.8	43.9	43.0	42.1	41.2	40.3	39.4
68	47.6	46.7	45.7	44.8	43.9	42.9	42.0	41.1	40.2	39.3
69	47.6	46.6	45.7	44.8	43.8	42.9	42.0	41.1	40.2	39.3
70	47.5	46.6	45.7	44.7	43.8	42.9	41.9	41.0	40.1	39.2
71	47.5	46.6	45.6	44.7	43.8	42.8	41.9	41.0	40.1	39.1
72	47.5	46.5	45.6	44.7	43.7	42.8	41.9	40.9	40.0	39.1
73	47.5	46.5	45.6	44.6	43.7	42.8	41.8	40.9	40.0	39.0
74	47.5	46.5	45.6	44.6	43.7	42.7	41.8	40.9	39.9	39.0
75	47.4	46.5	45.5	44.6	43.6	42.7	41.8	40.8	39.9	39.0
76	47.4	46.5	45.5	44.6	43.6	42.7	41.7	40.8	39.9	38.9
77	47.4	46.5	45.5	44.6	43.6	42.7	41.7	40.8	39.8	38.9
78	47.4	46.4	45.5	44.5	43.6	42.6	41.7	40.7	39.8	38.9
79	47.4	46.4	45.5	44.5	43.6	42.6	41.7	40.7	39.8	38.9
80	47.4	46.4	45.5	44.5	43.6	42.6	41.7	40.7	39.8	38.8
81	47.4	46.4	45.5	44.5	43.5	42.6	41.6	40.7	39.8	38.8
82	47.4	46.4	45.4	44.5	43.5	42.6	41.6	40.7	39.7	38.8
83	47.4	46.4	45.4	44.5	43.5	42.6	41.6	40.7	39.7	38.8
84	47.4	46.4	45.4	44.5	43.5	42.6	41.6	40.7	39.7	38.8
85	47.4	46.4	45.4	44.5	43.5	42.6	41.6	40.7	39.7	38.8
86	47.3	46.4	45.4	44.5	43.5	42.5	41.6	40.6	39.7	38.8
87	47.3	46.4	45.4	44.5	43.5	42.5	41.6	40.6	39.7	38.7
88	47.3	46.4	45.4	44.5	43.5	42.5	41.6	40.6	39.7	38.7
89	47.3	46.4	45.4	44.4	43.5	42.5	41.6	40.6	39.7	38.7
90	47.3	46.4	45.4	44.4	43.5	42.5	41.6	40.6	39.7	38.7
91	47.3	46.4	45.4	44.4	43.5	42.5	41.6	40.6	39.7	38.7
92	47.3	46.4	45.4	44.4	43.5	42.5	41.6	40.6	39.7	38.7

*Table II does not provide for IRA owners or survivors younger than 35 years of age. For additional life expectancy tables, see IRS Publication 939.

APPENDIX E
Life Expectancy Tables (continued)

TABLE II
(Joint Life and Last Survivor Expectancy)

AGES	45	46	47	48	49	50	51	52	53	54
45	44.1	43.6	43.2	42.7	42.3	42.0	41.6	41.3	41.0	40.7
46	43.6	43.1	42.6	42.2	41.8	41.4	41.0	40.6	40.3	40.0
47	43.2	42.6	42.1	41.7	41.2	40.8	40.4	40.0	39.7	39.3
48	42.7	42.2	41.7	41.2	40.7	40.2	39.8	39.4	39.0	38.7
49	42.3	41.8	41.2	40.7	40.2	39.7	39.3	38.8	38.4	38.1
50	42.0	41.4	40.8	40.2	39.7	39.2	38.7	38.3	37.9	37.5
51	41.6	41.0	40.4	39.8	39.3	38.7	38.2	37.8	37.3	36.9
52	41.3	40.6	40.0	39.4	38.8	38.3	37.8	37.3	36.8	36.4
53	41.0	40.3	39.7	39.0	38.4	37.9	37.3	36.8	36.3	35.8
54	40.7	40.0	39.3	38.7	38.1	37.5	36.9	36.4	35.8	35.3
55	40.4	39.7	39.0	38.4	37.7	37.1	36.5	35.9	35.4	34.9
56	40.2	39.5	38.7	38.1	37.4	36.8	36.1	35.6	35.0	34.4
57	40.0	39.2	38.5	37.8	37.1	36.4	35.8	35.2	34.6	34.0
58	39.7	39.0	38.2	37.5	36.8	36.1	35.5	34.8	34.2	33.6
59	39.6	38.8	38.0	37.3	36.6	35.9	35.2	34.5	33.9	33.3
60	39.4	38.6	37.8	37.1	36.3	35.6	34.9	34.2	33.6	32.9
61	39.2	38.4	37.6	36.9	36.1	35.4	34.6	33.9	33.3	32.6
62	39.1	38.3	37.5	36.7	35.9	35.1	34.4	33.7	33.0	32.3
63	38.9	38.1	37.3	36.5	35.7	34.9	34.2	33.5	32.7	32.0
64	38.8	38.0	37.2	36.3	35.5	34.8	34.0	33.2	32.5	31.8
65	38.7	37.9	37.0	36.2	35.4	34.6	33.8	33.0	32.3	31.6
66	38.6	37.8	36.9	36.1	35.2	34.4	33.6	32.9	32.1	31.4
67	38.5	37.7	36.8	36.0	35.1	34.3	33.5	32.7	31.9	31.2
68	38.4	37.6	36.7	35.8	35.0	34.2	33.4	32.5	31.8	31.0
69	38.4	37.5	36.6	35.7	34.9	34.1	33.2	32.4	31.6	30.8
70	38.3	37.4	36.5	35.7	34.8	34.0	33.1	32.3	31.5	30.7
71	38.2	37.3	36.5	35.6	34.7	33.9	33.0	32.2	31.4	30.5
72	38.2	37.3	36.4	35.5	34.6	33.8	32.9	32.1	31.2	30.4
73	38.1	37.2	36.3	35.4	34.6	33.7	32.8	32.0	31.1	30.3
74	38.1	37.2	36.3	35.4	34.5	33.6	32.8	31.9	31.1	30.2
75	38.1	37.1	36.2	35.3	34.5	33.6	32.7	31.8	31.0	30.1
76	38.0	37.1	36.2	35.3	34.4	33.5	32.6	31.8	30.9	30.1
77	38.0	37.1	36.2	35.3	34.4	33.5	32.6	31.7	30.8	30.0
78	38.0	37.0	36.1	35.2	34.3	33.4	32.5	31.7	30.8	29.9
79	37.9	37.0	36.1	35.2	34.3	33.4	32.5	31.6	30.7	29.9
80	37.9	37.0	36.1	35.2	34.2	33.4	32.5	31.6	30.7	29.8
81	37.9	37.0	36.0	35.1	34.2	33.3	32.4	31.5	30.7	29.8
82	37.9	36.9	36.0	35.1	34.2	33.3	32.4	31.5	30.6	29.7
83	37.9	36.9	36.0	35.1	34.2	33.3	32.4	31.5	30.6	29.7
84	37.8	36.9	36.0	35.1	34.2	33.2	32.3	31.4	30.6	29.7
85	37.8	36.9	36.0	35.1	34.1	33.2	32.3	31.4	30.5	29.6
86	37.8	36.9	36.0	35.0	34.1	33.2	32.3	31.4	30.5	29.6
87	37.8	36.9	35.9	35.0	34.1	33.2	32.3	31.4	30.5	29.6
88	37.8	36.9	35.9	35.0	34.1	33.2	32.3	31.4	30.5	29.6
89	37.8	36.9	35.9	35.0	34.1	33.2	32.3	31.4	30.5	29.6
90	37.8	36.9	35.9	35.0	34.1	33.2	32.3	31.3	30.5	29.6
91	37.8	36.8	35.9	35.0	34.1	33.2	32.2	31.3	30.4	29.5
92	37.8	36.8	35.9	35.0	34.1	33.2	32.2	31.3	30.4	29.5

APPENDIX E
Life Expectancy Tables (continued)

TABLE II
(Joint Life and Last Survivor Expectancy)*

AGES	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	7
55	34.4	33.9	33.5	33.1	32.7	32.3	32.0	31.7	31.4	31.1										
56	33.9	33.4	33.0	32.5	32.1	31.7	31.4	31.0	30.7	30.4										
57	33.5	33.0	32.5	32.0	31.6	31.2	30.8	30.4	30.1	29.8										
58	33.1	32.5	32.0	31.5	31.1	30.6	30.2	29.9	29.5	29.2										
59	32.7	32.1	31.6	31.1	30.6	30.1	29.7	29.3	28.9	28.6										
60	32.3	31.7	31.2	30.6	30.1	29.7	29.2	28.8	28.4	28.0										
61	32.0	31.4	30.8	30.2	29.7	29.2	28.7	28.3	27.8	27.4										
62	31.7	31.0	30.4	29.9	29.3	28.8	28.3	27.8	27.3	26.9										
63	31.4	30.7	30.1	29.5	28.9	28.4	27.8	27.3	26.9	26.4										
64	31.1	30.4	29.8	29.2	28.6	28.0	27.4	26.9	26.4	25.9										
65	30.9	30.2	29.5	28.9	28.2	27.6	27.1	26.5	26.0	25.5	25.0	24.6	24.2	23.8	23.4	23.1	22.8	22.5	22.2	22
66	30.6	29.9	29.2	28.6	27.9	27.3	26.7	26.1	25.6	25.1	24.6	24.1	23.7	23.3	22.9	22.5	22.2	21.9	21.6	21
67	30.4	29.7	29.0	28.3	27.6	27.0	26.4	25.8	25.2	24.7	24.2	23.7	23.2	22.8	22.4	22.0	21.7	21.3	21.0	20
68	30.2	29.5	28.8	28.1	27.4	26.7	26.1	25.5	24.9	24.3	23.8	23.3	22.8	22.3	21.9	21.5	21.2	20.8	20.5	20
69	30.1	29.3	28.6	27.9	27.1	26.5	25.8	25.2	24.6	24.0	23.4	22.9	22.4	21.9	21.5	21.1	20.7	20.3	20.0	19
70	29.9	29.1	28.4	27.6	26.9	26.2	25.6	24.9	24.3	23.7	23.1	22.5	22.0	21.5	21.1	20.6	20.2	19.8	19.4	19
71	29.7	29.0	28.2	27.5	26.7	26.0	25.3	24.7	24.0	23.4	22.8	22.2	21.7	21.2	20.7	20.2	19.8	19.4	19.0	18
72	29.6	28.8	28.1	27.3	26.5	25.8	25.1	24.4	23.8	23.1	22.5	21.9	21.3	20.8	20.3	19.8	19.4	18.9	18.5	18
73	29.5	28.7	27.9	27.1	26.4	25.6	24.9	24.2	23.5	22.9	22.2	21.6	21.0	20.5	20.0	19.4	19.0	18.5	18.1	17
74	29.4	28.6	27.8	27.0	26.2	25.5	24.7	24.0	23.3	22.7	22.0	21.4	20.8	20.2	19.6	19.1	18.6	18.2	17.7	17
75	29.3	28.5	27.7	26.9	26.1	25.3	24.6	23.8	23.1	22.4	21.8	21.1	20.5	19.9	19.3	18.8	18.3	17.8	17.3	16
76	29.2	28.4	27.6	26.8	26.0	25.2	24.4	23.7	23.0	22.3	21.6	20.9	20.3	19.7	19.1	18.5	18.0	17.5	17.0	16
77	29.1	28.3	27.5	26.7	25.9	25.1	24.3	23.6	22.8	22.1	21.4	20.7	20.1	19.4	18.8	18.3	17.7	17.2	16.7	16
78	29.1	28.2	27.4	26.6	25.8	25.0	24.2	23.4	22.7	21.9	21.2	20.5	19.9	19.2	18.6	18.0	17.5	16.9	16.4	15
79	29.0	28.2	27.3	26.5	25.7	24.9	24.1	23.3	22.6	21.8	21.1	20.4	19.7	19.0	18.4	17.8	17.2	16.7	16.1	15
80	29.0	28.1	27.3	26.4	25.6	24.8	24.0	23.2	22.4	21.7	21.0	20.2	19.5	18.9	18.2	17.6	17.0	16.4	15.9	15
81	28.9	28.1	27.2	26.4	25.5	24.7	23.9	23.1	22.3	21.6	20.8	20.1	19.4	18.7	18.1	17.4	16.8	16.2	15.7	15
82	28.9	28.0	27.2	26.3	25.5	24.6	23.8	23.0	22.3	21.5	20.7	20.0	19.3	18.6	17.9	17.3	16.6	16.0	15.5	14
83	28.8	28.0	27.1	26.3	25.4	24.6	23.8	23.0	22.2	21.4	20.6	19.9	19.2	18.5	17.8	17.1	16.5	15.9	15.3	14
84	28.8	27.9	27.1	26.2	25.4	24.5	23.7	22.9	22.1	21.3	20.5	19.8	19.1	18.4	17.7	17.0	16.3	15.7	15.1	14
85	28.8	27.9	27.0	26.2	25.3	24.5	23.7	22.8	22.0	21.3	20.5	19.7	19.0	18.3	17.6	16.9	16.2	15.6	15.0	14
86	28.7	27.9	27.0	26.1	25.3	24.5	23.6	22.8	22.0	21.2	20.4	19.6	18.9	18.2	17.5	16.8	16.1	15.5	14.8	14
87	28.7	27.8	27.0	26.1	25.3	24.4	23.6	22.8	21.9	21.1	20.4	19.6	18.8	18.1	17.4	16.7	16.0	15.4	14.7	14
88	28.7	27.8	27.0	26.1	25.2	24.4	23.5	22.7	21.9	21.1	20.3	19.5	18.8	18.0	17.3	16.6	15.9	15.3	14.6	14
89	28.7	27.8	26.9	26.1	25.2	24.4	23.5	22.7	21.9	21.1	20.3	19.5	18.7	18.0	17.2	16.5	15.8	15.2	14.5	13
90	28.7	27.8	26.9	26.1	25.2	24.3	23.5	22.7	21.8	21.0	20.2	19.4	18.7	17.9	17.2	16.5	15.8	15.1	14.5	13
91	28.7	27.8	26.9	26.0	25.2	24.3	23.5	22.6	21.8	21.0	20.2	19.4	18.6	17.9	17.1	16.4	15.7	15.0	14.4	13
92	28.6	27.8	26.9	26.0	25.2	24.3	23.5	22.6	21.8	21.0	20.2	19.4	18.6	17.8	17.1	16.4	15.7	15.0	14.3	13
93	28.6	27.8	26.9	26.0	25.1	24.3	23.4	22.6	21.8	20.9	20.1	19.3	18.6	17.8	17.1	16.3	15.6	14.9	14.3	13
94	28.6	27.7	26.9	26.0	25.1	24.3	23.4	22.6	21.7	20.9	20.1	19.3	18.5	17.8	17.0	16.3	15.6	14.9	14.2	13
95	28.6	27.7	26.9	26.0	25.1	24.3	23.4	22.6	21.7	20.9	20.1	19.3	18.5	17.8	17.0	16.3	15.6	14.9	14.2	13
96	28.6	27.7	26.9	26.0	25.1	24.2	23.4	22.6	21.7	20.9	20.1	19.3	18.5	17.7	17.0	16.2	15.5	14.8	14.2	13
97	28.6	27.7	26.8	26.0	25.1	24.2	23.4	22.5	21.7	20.9	20.1	19.3	18.5	17.7	17.0	16.2	15.5	14.8	14.1	13
98	28.6	27.7	26.8	26.0	25.1	24.2	23.4	22.5	21.7	20.9	20.1	19.3	18.5	17.7	16.9	16.2	15.5	14.8	14.1	13
99	28.6	27.7	26.8	26.0	25.1	24.2	23.4	22.5	21.7	20.9	20.0	19.2	18.5	17.7	16.9	16.2	15.5	14.7	14.1	13
100	28.6	27.7	26.8	26.0	25.1	24.2	23.4	22.5	21.7	20.8	20.0	19.2	18.4	17.7	16.9	16.2	15.4	14.7	14.0	13
101	28.6	27.7	26.8	25.9	25.1	24.2	23.4	22.5	21.7	20.8	20.0	19.2	18.4	17.7	16.9	16.1	15.4	14.7	14.0	13
102	28.6	27.7	26.8	25.9	25.1	24.2	23.3	22.5	21.7	20.8	20.0	19.2	18.4	17.6	16.9	16.1	15.4	14.7	14.0	13
103	28.6	27.7	26.8	25.9	25.1	24.2	23.3	22.5	21.7	20.8	20.0	19.2	18.4	17.6	16.9	16.1	15.4	14.7	14.0	13
104	28.6	27.7	26.8	25.9	25.1	24.2	23.3	22.5	21.6	20.8	20.0	19.2	18.4	17.6	16.9	16.1	15.4	14.7	14.0	13
105	28.6	27.7	26.8	25.9	25.1	24.2	23.3	22.5	21.6	20.8	20.0	19.2	18.4	17.6	16.8	16.1	15.4	14.6	13.9	13
106	28.6	27.7	26.8	25.9	25.1	24.2	23.3	22.5	21.6	20.8	20.0	19.2	18.4	17.6	16.8	16.1	15.4	14.6	13.9	13
107	28.6	27.7	26.8	25.9	25.1	24.2	23.3	22.5	21.6	20.8	20.0	19.2	18.4	17.6	16.8	16.1	15.3	14.6	13.9	13
108	28.6	27.7	26.8	25.9	25.1	24.2	23.3	22.5	21.6	20.8	20.0	19.2	18.4	17.6	16.8	16.1	15.3	14.6	13.9	13
109	28.6	27.7	26.8	25.9	25.1	24.2	23.3	22.5	21.6	20.8	20.0	19.2	18.4	17.6	16.8	16.1	15.3	14.6	13.9	13
110	28.6	27.7	26.8	25.9	25.1	24.2	23.3	22.5	21.6	20.8	20.0	19.2	18.4	17.6	16.8	16.1	15.3	14.6	13.9	13
111	28.6	27.7	26.8	25.9	25.0	24.2	23.3	22.5	21.6	20.8	20.0	19.2	18.4	17.6	16.8	16.1	15.3	14.6	13.9	13
112	28.6	27.7	26.8	25.9	25.0	24.2	23.3	22.5	21.6	20.8	20.0	19.2	18.4	17.6	16.8	16.0	15.3	14.6	13.9	13
113	28.6	27.7	26.8	25.9	25.0	24.2	23.3	22.5	21.6	20.8	20.0	19.2	18.4	17.6	16.8	16.0	15.3	14.6	13.9	13
114	28.6	27.7	26.8	25.9	25.0	24.2	23.3	22.5	21.6	20.8	20.0	19.2	18.4	17.6	16.8	16.0	15.3	14.6	13.9	13
115	28.6	27.7	26.8	25.9	25.0	24.2	23.3	22.5	21.6	20.8	20.0	19.2	18.4	17.6	16.8	16.0	15.3	14.6	13.9	13

*Table II does not provide for IRA owners or survivors younger than 55 years of age. For additional life expectancy tables, see IRS Publication 939.

APPENDIX E
Life Expectancy Tables (continued)

TABLE II (continued)
(Joint Life and Last Survivor Expectancy)

AGES	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94
75	16.5	16.1	15.8	15.4	15.1	14.9	14.6	14.4	14.2	14.0										
76	16.1	15.7	15.4	15.0	14.7	14.4	14.1	13.9	13.7	13.5										
77	15.8	15.4	15.0	14.6	14.3	14.0	13.7	13.4	13.2	13.0										
78	15.4	15.0	14.6	14.2	13.9	13.5	13.2	13.0	12.7	12.5										
79	15.1	14.7	14.3	13.9	13.5	13.2	12.8	12.5	12.3	12.0										
80	14.9	14.4	14.0	13.5	13.2	12.8	12.5	12.2	11.9	11.6										
81	14.6	14.1	13.7	13.2	12.8	12.5	12.1	11.8	11.5	11.2										
82	14.4	13.9	13.4	13.0	12.5	12.2	11.8	11.5	11.1	10.9										
83	14.2	13.7	13.2	12.7	12.3	11.9	11.5	11.1	10.8	10.5										
84	14.0	13.5	13.0	12.5	12.0	11.6	11.2	10.9	10.5	10.2										
85	13.8	13.3	12.8	12.3	11.8	11.4	11.0	10.6	10.2	9.9	9.6	9.3	9.1	8.9	8.7	8.5	8.3	8.2	8.0	7.9
86	13.7	13.1	12.6	12.1	11.6	11.2	10.8	10.4	10.0	9.7	9.3	9.1	8.8	8.6	8.3	8.2	8.0	7.8	7.7	7.6
87	13.5	13.0	12.4	11.9	11.4	11.0	10.6	10.1	9.8	9.4	9.1	8.8	8.5	8.3	8.1	7.9	7.7	7.5	7.4	7.2
88	13.4	12.8	12.3	11.8	11.3	10.8	10.4	10.0	9.6	9.2	8.9	8.6	8.3	8.0	7.8	7.6	7.4	7.2	7.1	6.9
89	13.3	12.7	12.2	11.6	11.1	10.7	10.2	9.8	9.4	9.0	8.7	8.3	8.1	7.8	7.5	7.3	7.1	6.9	6.8	6.6
90	13.2	12.6	12.1	11.5	11.0	10.5	10.1	9.6	9.2	8.8	8.5	8.2	7.9	7.6	7.3	7.1	6.9	6.7	6.5	6.4
91	13.1	12.5	12.0	11.4	10.9	10.4	9.9	9.5	9.1	8.7	8.3	8.0	7.7	7.4	7.1	6.9	6.7	6.5	6.3	6.2
92	13.1	12.5	11.9	11.3	10.8	10.3	9.8	9.4	8.9	8.5	8.2	7.8	7.5	7.2	6.9	6.7	6.5	6.3	6.1	5.9
93	13.0	12.4	11.8	11.3	10.7	10.2	9.7	9.3	8.8	8.4	8.0	7.7	7.4	7.1	6.8	6.5	6.3	6.1	5.9	5.8
94	12.9	12.3	11.7	11.2	10.6	10.1	9.6	9.2	8.7	8.3	7.9	7.6	7.2	6.9	6.6	6.4	6.2	5.9	5.8	5.6
95	12.9	12.3	11.7	11.1	10.6	10.1	9.6	9.1	8.6	8.2	7.8	7.5	7.1	6.8	6.5	6.3	6.0	5.8	5.6	5.4
96	12.9	12.2	11.6	11.1	10.5	10.0	9.5	9.0	8.5	8.1	7.7	7.3	7.0	6.7	6.4	6.1	5.9	5.7	5.5	5.3
97	12.8	12.2	11.6	11.0	10.5	9.9	9.4	8.9	8.5	8.0	7.6	7.3	6.9	6.6	6.3	6.0	5.8	5.5	5.3	5.1
98	12.8	12.2	11.5	11.0	10.4	9.9	9.4	8.9	8.4	8.0	7.6	7.2	6.8	6.5	6.2	5.9	5.6	5.4	5.2	5.0
99	12.7	12.1	11.5	10.9	10.4	9.8	9.3	8.8	8.3	7.9	7.5	7.1	6.7	6.4	6.1	5.8	5.5	5.3	5.1	4.9
100	12.7	12.1	11.5	10.9	10.3	9.8	9.2	8.7	8.3	7.8	7.4	7.0	6.6	6.3	6.0	5.7	5.4	5.2	5.0	4.8
101	12.7	12.1	11.4	10.8	10.3	9.7	9.2	8.7	8.2	7.8	7.3	6.9	6.6	6.2	5.9	5.6	5.3	5.1	4.9	4.7
102	12.7	12.0	11.4	10.8	10.2	9.7	9.2	8.7	8.2	7.7	7.3	6.9	6.5	6.2	5.8	5.5	5.3	5.0	4.8	4.6
103	12.6	12.0	11.4	10.8	10.2	9.7	9.1	8.6	8.1	7.7	7.2	6.8	6.4	6.1	5.8	5.5	5.2	4.9	4.7	4.5
104	12.6	12.0	11.4	10.8	10.2	9.6	9.1	8.6	8.1	7.6	7.2	6.8	6.4	6.0	5.7	5.4	5.1	4.8	4.6	4.4
105	12.6	12.0	11.3	10.7	10.2	9.6	9.1	8.5	8.0	7.6	7.1	6.7	6.3	6.0	5.6	5.3	5.0	4.8	4.5	4.3
106	12.6	11.9	11.3	10.7	10.1	9.6	9.0	8.5	8.0	7.5	7.1	6.7	6.3	5.9	5.6	5.3	5.0	4.7	4.5	4.2
107	12.6	11.9	11.3	10.7	10.1	9.6	9.0	8.5	8.0	7.5	7.1	6.6	6.2	5.9	5.5	5.2	4.9	4.6	4.4	4.2
108	12.6	11.9	11.3	10.7	10.1	9.5	9.0	8.5	8.0	7.5	7.0	6.6	6.2	5.8	5.5	5.2	4.9	4.6	4.3	4.1
109	12.6	11.9	11.3	10.7	10.1	9.5	9.0	8.4	7.9	7.5	7.0	6.6	6.2	5.8	5.5	5.1	4.8	4.5	4.3	4.1
110	12.6	11.9	11.3	10.7	10.1	9.5	9.0	8.4	7.9	7.4	7.0	6.6	6.2	5.8	5.4	5.1	4.8	4.5	4.3	4.0
111	12.5	11.9	11.3	10.7	10.1	9.5	8.9	8.4	7.9	7.4	7.0	6.5	6.1	5.7	5.4	5.1	4.8	4.5	4.2	4.0
112	12.5	11.9	11.3	10.6	10.1	9.5	8.9	8.4	7.9	7.4	7.0	6.5	6.1	5.7	5.4	5.0	4.7	4.4	4.2	3.9
113	12.5	11.9	11.2	10.6	10.0	9.5	8.9	8.4	7.9	7.4	6.9	6.5	6.1	5.7	5.4	5.0	4.7	4.4	4.2	3.9
114	12.5	11.9	11.2	10.6	10.0	9.5	8.9	8.4	7.9	7.4	6.9	6.5	6.1	5.7	5.3	5.0	4.7	4.4	4.1	3.9
115	12.5	11.9	11.2	10.6	10.0	9.5	8.9	8.4	7.9	7.4	6.9	6.5	6.1	5.7	5.3	5.0	4.7	4.4	4.1	3.9

APPENDIX E

Table for Determining Applicable Divisor for MDIB*
(Minimum Distribution Incidental Benefit)

Age	Applicable divisor	Age	Applicable divisor
70	26.2	93	8.8
71	25.3	94	8.3
72	24.4	95	7.8
73	23.5	96	7.3
74	22.7	97	6.9
75	21.8	98	6.5
76	20.9	99	6.1
77	20.1	100	5.7
78	19.2	101	5.3
79	18.4	102	5.0
80	17.6	103	4.7
81	16.8	104	4.4
82	16.0	105	4.1
83	15.3	106	3.8
84	14.5	107	3.6
85	13.8	108	3.3
86	13.1	109	3.1
87	12.4	110	2.8
88	11.8	111	2.6
89	11.1	112	2.4
90	10.5	113	2.2
91	9.9	114	2.0
92	9.4	115 and older	1.8

*Use this table if your beneficiary is someone other than your spouse. For additional instructions, see *Minimum Distribution Incidental Benefit Requirement* in Chapter 6.

APPENDIX F

Summary Record of IRA(s) for 1990
(You May Keep This for Your Records)

Name _____

I was ☐ covered ☐ not covered by my employer's retirement plan during the year.

I became age 59½ on _____ (month) (day) (year).

I became age 70½ on _____ (month) (day) (year).

Contributions

Name of IRA	Date	Amount contributed for 1990	Check, if rollover contribution	Fair Market value of IRA as of December 31, 1990, from Form 5498
1.				
2.				
3.				
4.				
5.				
Total				

Total contributions deducted on tax return $_____

Total contributions treated as nondeductible on Form 8606 $_____

Distributions

Name of IRA	Date	Amount of distribution	Reason (e.g., for retirement, rollover, withdrawal of excess contributions, etc.)	Income earned on IRA	Taxable amount reported on income tax return	Nontaxable amount from Form 8606, line 11
1.						
2.						
3.						
4.						
Total						

Basis of all IRAs as of 12/31/90 (from Form 8606, line 12) $_____

Basis of all IRAs for 1990 (from Form 8606, line 14) $_____

Note: You should keep copies of your income tax return, and Forms W-2, 8606, and 5498.

WORKSHEET
FOR
DETERMINING REQUIRED ANNUAL DISTRIBUTIONS FROM YOUR IRA(s)

1. Age	70½	71½	72½	73½	74½	75½
2. Year age was reached						
3. Value of IRA at the close of business on December 31 of the year immediately prior to the year on line 2[1]						
4. Divisor from Life Expectancy Table I or Table II[2]						
5. Required distribution (divide line 3 by line 4)[3]						

[1]If you have more than one IRA, you must figure the required distribution separately for each IRA.

[2]Use the appropriate divisor for each year and for each IRA. You can either (a) use the appropriate divisor from the table each year, or (b) use the appropriate divisor from the table for your 70½ year and reduce it by 1 (one) for each subsequent year. To find the appropriate divisor, use your age (and that of your beneficiary, if applicable) as of your birthday(s) in the year shown on line 2.

[3]If you have more than one IRA, you must withdraw an amount equal to the total of the required distributions figured for each IRA. You can, however, withdraw the total from one IRA or from more than one IRA.

Index

Adjusted gross income limitation.....5
Deduction p haseout.....5
Filing status.....5
Modified AGI.....5
AGI limit.....5
Broker's commissions.....4
Can you take an IRA deduction chart.....5
Collectibles.....13
Exception.....13
Community property laws.....4
Compensation.....2
Alimony and separate maintenance.....2
Commissions.....2
Not Compensation.....2
Self-employment income.....2
Self-employment loss.....2
Wages, salaries, etc.....2
Contribution limits.....3
Spousal IRA.....3
Contributions.....3
Annuity or endowment contracts.....4
Both spouses have compensation.....3
Designating the year.....4
Filing before making your contribution.....4
Filing status.....3
Form of.....3
Less than maximum.....3
Not required.....3
When to contribute.....4
Cost basis.....11
Death benefit exclusion.....12
Deductible contributions.....4
Reporting.....6
Deduction limits.....5
Full deduction.....5
Reduced or no deduction.....5
Spousal IRA.....5
Deduction phaseout.....5
Distributions.....10
Age 59½ rule.....10
Annuity.....10
Annuity contracts.....12
Beneficiaries.....12
Beneficiary other than spouse.....12
Death.....10
Deductible and/or nondeductible.....11
Designated beneficiary.....10
Disability.....10
Exceptions to age 59½ rule.....10
Inherited IRAs.....12
Losses on IRA investments.....12
Lump-sum distribution.....8
Minimum.....10
Partial.....8
Reporting and withholding requirements.....12
Required.....10
Required beginning date.....10
Retirement bonds.....12
Rollovers.....10
Tax treatment.....11
Total distribution.....8
Employer and employee association trust accounts.....3
Employer plans.....4
Death of spouse.....4
Defined benefit plan.....4
Defined contribution plan.....4
Federal judges.....4
Marital status.....4
Married filing a joint return.....4
Married filing separate return.....4
Nonvested employees.....4
Receiving retirement benefits.....4
Reservists and volunteer fire fighters.....4
Social security and railroad retirement.....4
When are you covered?.....4
When are you not covered?.....4
Example, comprehensive.....6
Excess accumulations.....14
Excess Contributions.....13
Excess distributions.....14
Filing status.....5
Married filing separate exception.....5
Forms.....6
Forms:
1099–R.....12
5329.....14
8606.....6
W–2.....4
W–2P.....13, 14
5498.....6
Individual retirement account.....2
Individual retirement annuity.....3
Individual retirement arrangement.....1
Inherited IRAs.....4
Insufficient Distributions.....14
Investment in collectibles.....13
IRA.....1
Kinds of IRAs.....2
Minimum distributions.....10
Incidental benefit requirement.....11
Life expectancy.....11
Miscellaneous rules.....11
More than one IRA.....3
Nondeductible contributions.....6
Basis.....6
Penalty for overstatement.....6
Reporting.....6
Withdrawal of contributions.....6
Penalties.....13
Excess accumulations.....14
Excess contributions.....13
Excess distributions.....14
Premature distributions (early withdrawals).....14
Prohibited transactions.....13
Reporting.....14, 15
Premature distributions (early withdrawals).....14
Prohibited transactions.....13
Borrowing on an annuity contract.....13
Pledging an account as security.....13
Qualified domestic relations order.....9
Reduced IRA deduction, how to figure.....5
Retirement bonds.....3
Rollovers.....7
Conduit IRA.....8
Distributions received by a surviving spouse.....
Distributions under divorce proceedings.....9
Election.....8
Extension of rollover period.....7
From employer's plan into an IRA.....8
From one IRA into another.....7
Frozen deposit.....7
Keogh plans.....9
Partial distributions.....8
Partial rollovers.....8
Qualified Total distribution.....8
Reporting.....8, 9
Required distributions.....8
Tax-sheltered annuity.....9
Time limit.....7
Waiting period between rollovers.....7
SEP.....3, 15
Simplified employee pension.....3, 15
Contributions.....15
Contributions you make.....16
Definitions.....15
Elective deferrals.....16
Employer's contributions.....16
Excess employer contributions.....16
Excludable employees.....15
Highly compensated employee.....15
Leased employees.....15
Limits.....15
Limits on deferrals.....16
Overall limits on employer contributions.....16
Qualifying employee.....15
Salary reduction arrangement.....16
Self-employed individual.....15
Social Security Recipients.....5
Spousal IRA.....2
Eligibility requirements.....2
Spouse has compensation.....3
Spouse under age 70½.....3
Surviving spouse.....8, 9
Distributions received.....9
Rollovers.....8
Transfers.....7
Rollovers.....7
Transfers incident to divorce.....9
Trustee's fees.....4
When are you covered?.....4
Withholding.....13
Withholding from IRA distributions outside the United States.....13
Withholding allowances.....6

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